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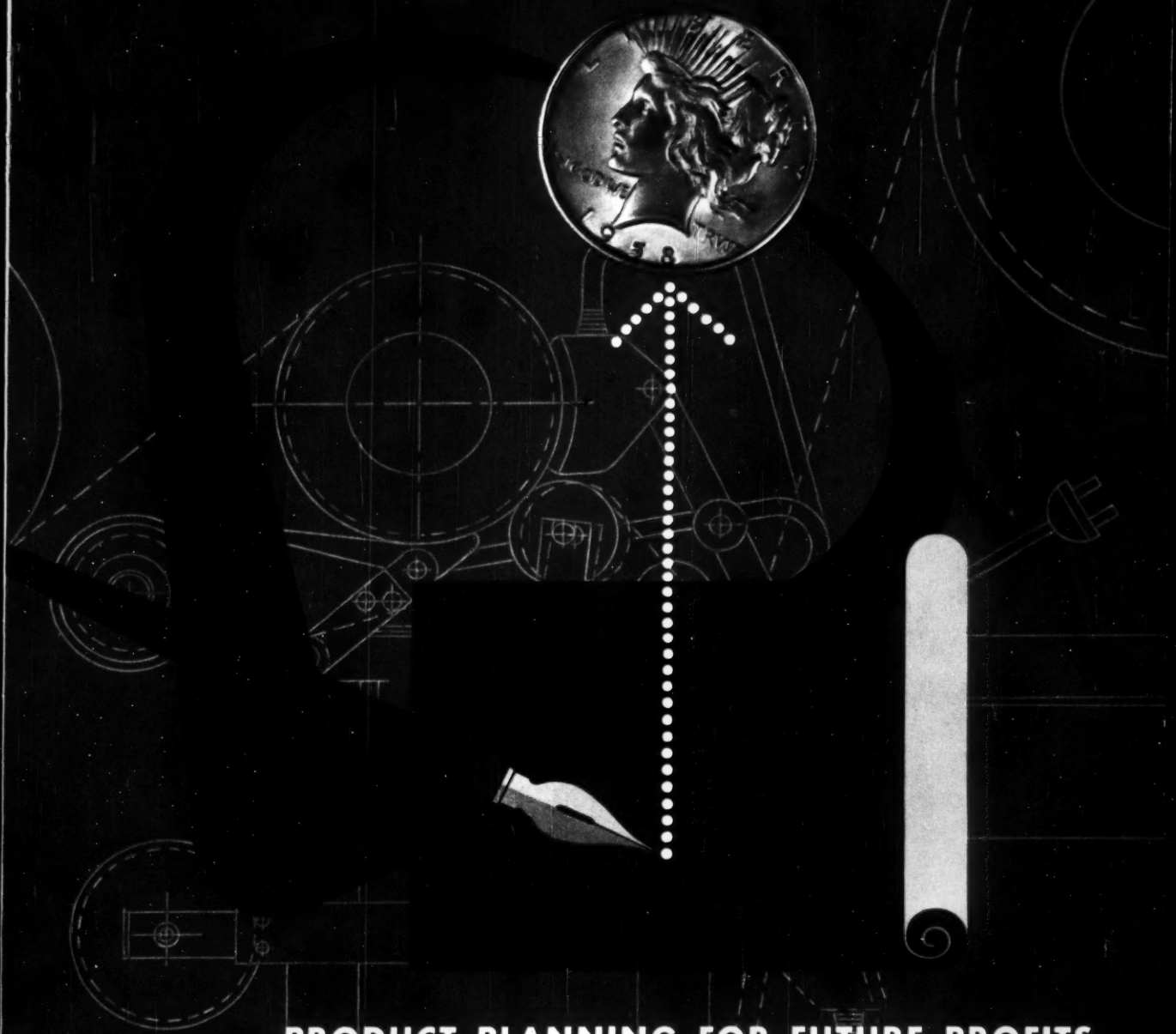

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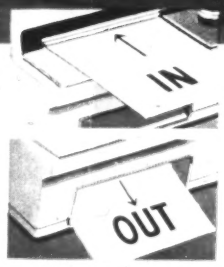

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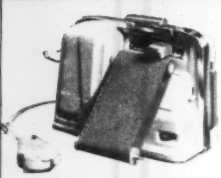

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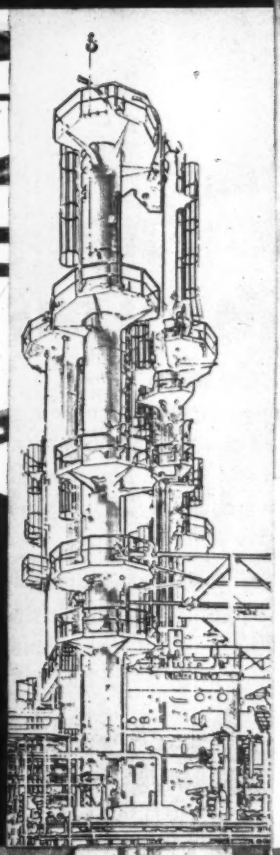

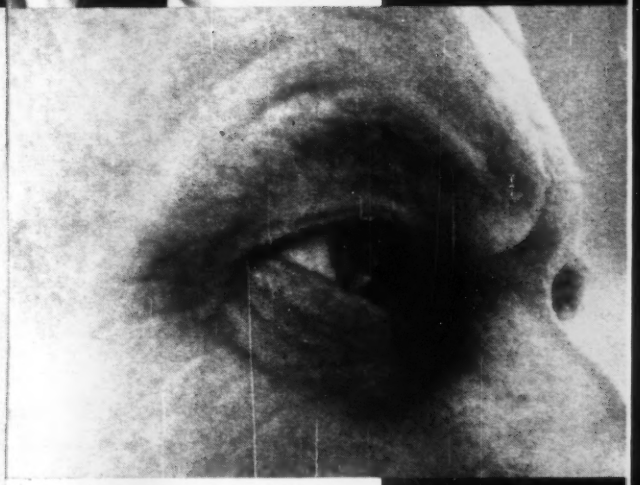

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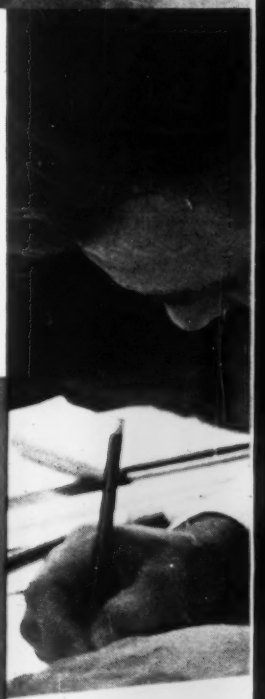

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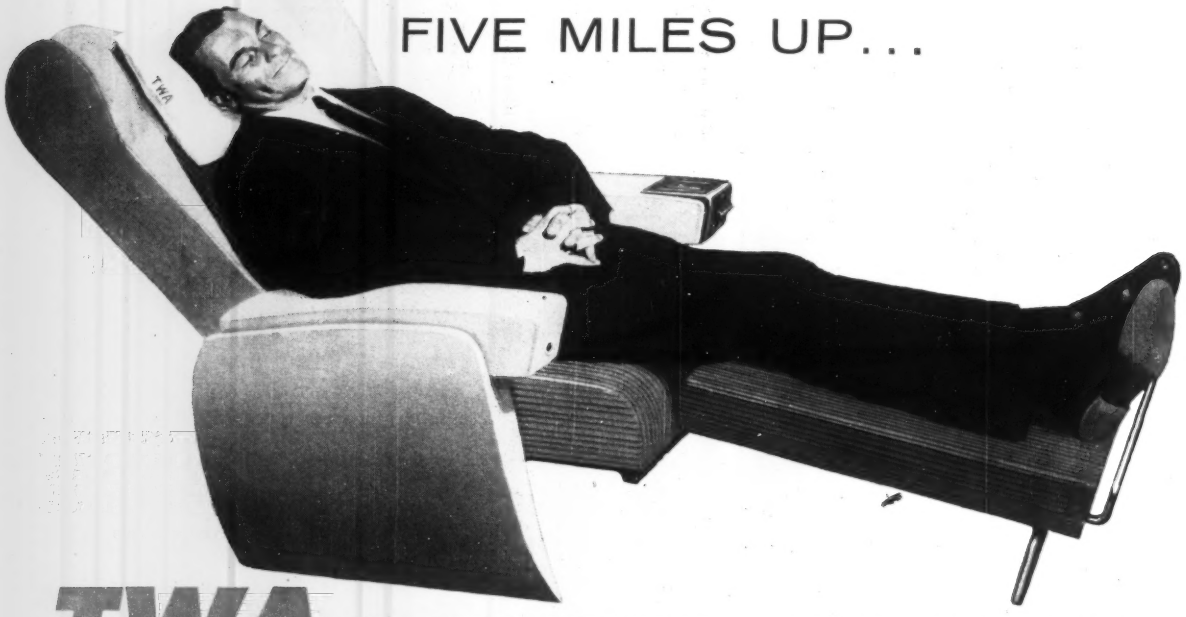

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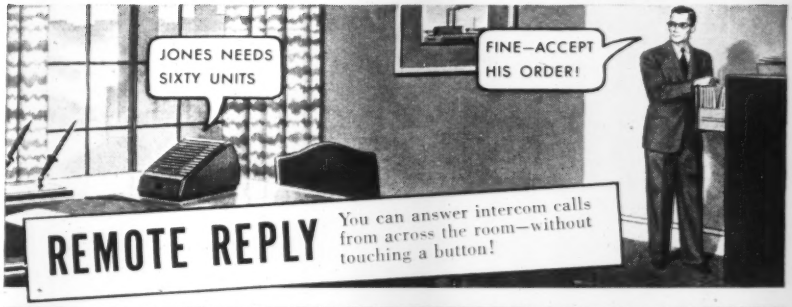
• If Walter Reuther would like to put his "share the profit but not the risk" theory to a practical test, he could invest his personal funds in a small auto agency and try peddling cars to his neighbors. When he got through paying for the cars, the rentals or taxes on the showrooms, stockroom service area, and used car lots, the wages of his service staff, and the commissions of his salesmen, then he could hand over 25 per cent of the profits to his employees who didn't take the risk. He could also rebate another 25 per cent to his customers—who might have already asked for it as a price cut.

Mr. Reuther is eager; he tells us, to build up the purchasing power of the American public. He can best serve this end by working with management to match the productivity of the craftsman to the technology of the engineer. For what happens in the auto industry affects the pay envelopes of millions of raw materials producers and processors in mines, and foundries, at oil-well pumps and refineries, on farms, and in the forests.

Reuther is the shrewd leader of a powerful union which can outvote management 100 to 1, even if we include stockholders. Our complaint against him is the bizarre quality of his logic, not his personal devotion to the welfare of his auto workers. We salute his courage and condemn his ideas.

On the subject of "What's Ahead in Labor Legislation?" in this issue, Horace Sheldon discusses the results of the McClellan Committee investigation and the unsavory details of union racketeering—much of which the public saw on TV. But we should recall the axiom about people who live in glass houses, for it is obvious that the labor racketeer can't get far without the occasional connivance or cowardice of management.

• European business men visiting the United States are puzzled by the seemingly contradictory way in which American business men compete and cooperate with equal vigor.



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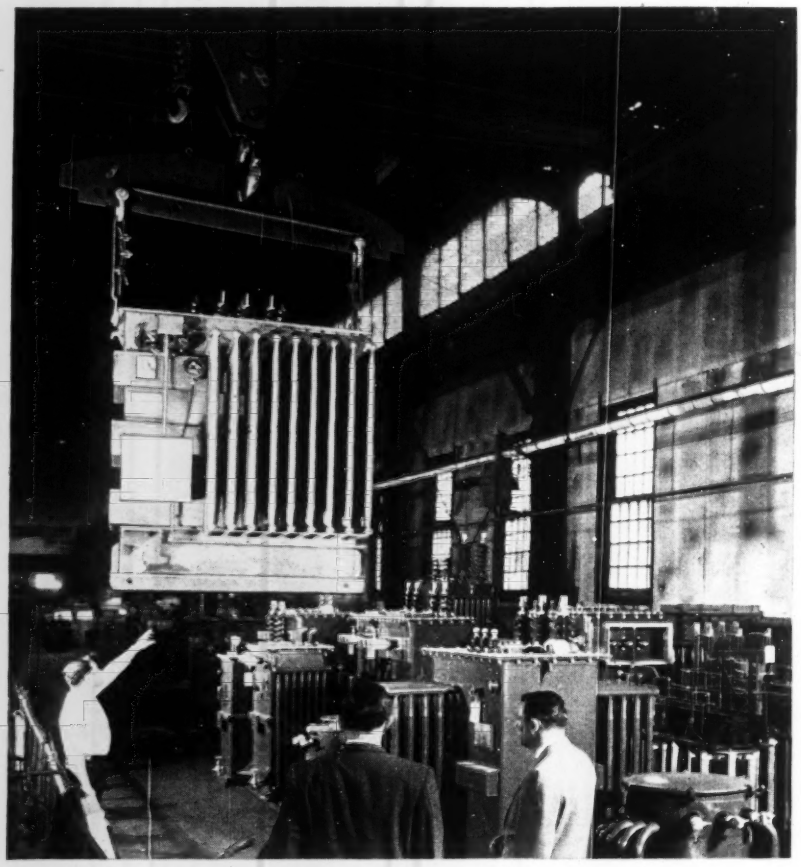

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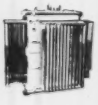

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• Whenever a group of Congressmen hie off to Scandinavia or Afghanistan on a junket, unfriendly newspapers are likely to shed crocodile tears for the taxpayer. But actually Congress needs to have more, not fewer, of its members circulating abroad. In this way, our legislators acquire a greater understanding of the problems of world management. We cannot accept penny-wise criticism when billions of dollars and millions of lives are at stake.

America needs the good will of the lawmakers and policymakers of Europe and Asia. One way to achieve it is through trade, for the dollar is the bulwark of confidence, not only along the edges of the Iron Curtain, but in every marketplace of the world. A free-trading program is difficult in a world of commercial inequities and varying levels of living, but there is no better path to peace than the highways of commerce. Some trade barriers may be necessary, but the fewer the better for world amity. In a practical approach to export trade, A. O. Stanley discusses "Getting the Cash from Your Overseas Sales" and how to make friends as well as profits in foreign markets. —A. M. S.

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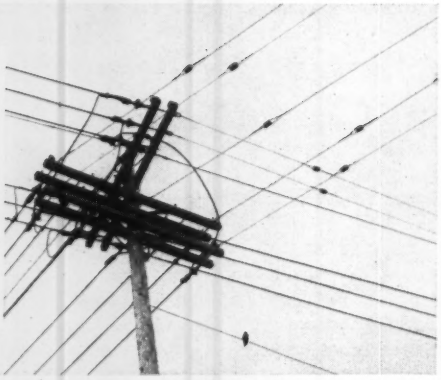

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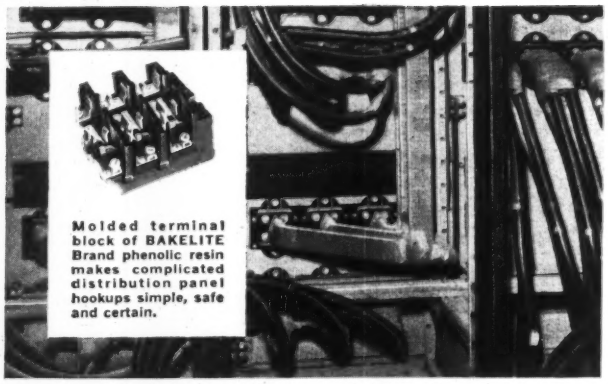

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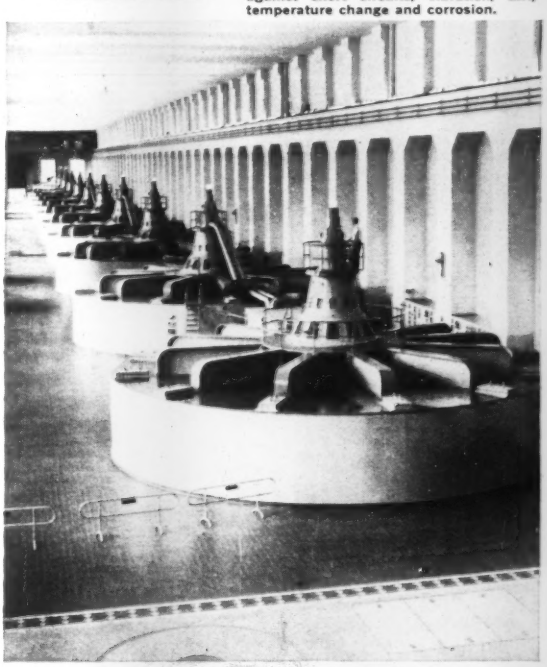

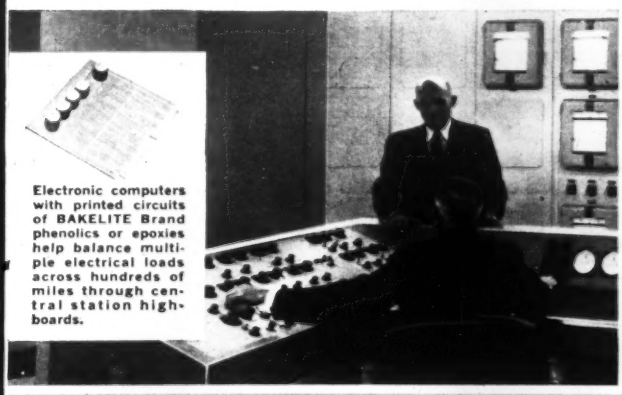

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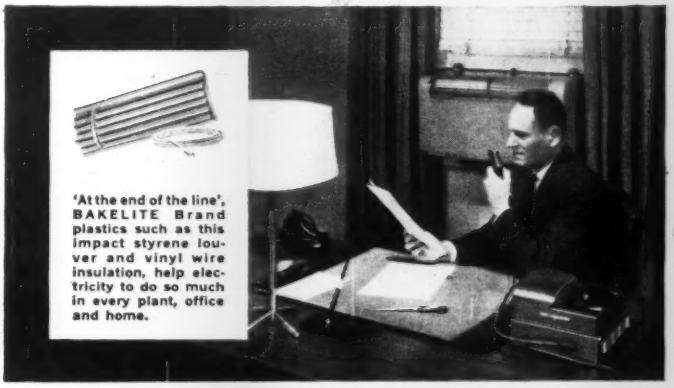

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WASHINGTON, D.C.—Because of the importance of the Reciprocal Trade Act to the domestic economy and the critical international situation, the Administration is going all out to secure its extension. Leaders of both parties in Congress are also supporting the extension. Long regarded as the sponsor of "protection," the Republican Party is providing leadership for the effort to reduce tariffs and promote freer trade. Some of the more determined opponents of a liberal foreign trade policy are now on the other side of the aisle.

The President is making personal appeals to legislators not to weaken the measure with amendments. And such a GOP stalwart as Senator Jacob K. Javits of New York describes the Act as the "best anti-recession measure we can adopt."

Representative Thomas Hale Boggs (D., La.), chairman of the Ways and Means subcommittee on foreign policy, wants the Act made permanent and threatens to vote against a one-year extension. The proposal to extend the Act only up to June 30, 1961, instead of to 1963 as the Administration has requested, has impressive support, based on the argument that the new administration should have an opportunity to recommend what should be done beyond that date.

Commerce Secretary Sinclair Weeks describes the agreements, which the late Cordell Hull had such difficulty in selling, as the cornerstone of the nation's foreign economic policy. He holds that extension of the Act with broadened authority is imperative in order "to reduce tariffs and other trade barriers to assist our exports." He adds that extension will also increase employment and promote economic and political stability. The White House is emphasizing that the legislation is necessary to maintain our way of life and to meet the economic challenge thrown down by the Soviet Union.

The present plan is to hold up the anti-dumping bill until extension of the Act is considered.

The opposition, which is strong, wants to make Congress and the Tariff Commission arbiters of the tariffs. An investigation of barriers raised by other nations against American foreign trade and investment is also being demanded. Much of the opposition is in behalf of these interests: chemicals, textiles, machine tools, glass, pottery, bicycles, motorcycles, sugar, opticals, plywood, rubber, alloys, cordage, and cutlery.

Treasury Secretary Robert B. Anderson's testimony before the House Ways and Means Committee clearly illustrated the differences between his fiscal philosophy and that of his predecessor, George M. Humphrey. Anderson does not regard a balanced budget as an end in itself and says that the nation must face up to the possibility of an unbalanced budget. He even admits that a situation could develop where a tax cut would be desirable. He does not criticize the anti-inflation policies of the past, but he sees no need to harp on the dangers of inflation now.

Few Government documents are reviewed more minutely than the President's Economic Report. The testimony of well-qualified witnesses before the Joint Congressional Economic Committee was to the effect that the President's Report was economically realistic, politically astute, and about as good an analysis as could be expected under the circumstances. It was admitted that no President could afford to undermine confidence. Critics who thought the Report should have recommended steps to be taken to halt the slide-off were opposed with the argument that the details of such action can only be announced as the situation develops.

One witness said the President could not be accused of crystal gazing when he stated his belief that the recession will not go far beyond its modest January dimensions. Most witnesses were not so optimistic.

There was general agreement that the Administration faces a difficult situation. After having to beat all the drums to check inflation, it was suddenly called on to check a decline. Monetary manipulation works better in checking a rise than it does in halting a decline, for easy money does not help if it is not used.

Legislators are always sensitive to unemployment, and they are prepared to be very generous in voting funds. Reports from the spending agencies of the Government, however, point out the difficulties of expanding employment rapidly. A large part of defense procurement, for example, has shifted to activities that do not generate as much employment per dollar as previous programs did. Research activities require relatively little manpower. Delays in road location and acquisition of rights-of-way are limiting highway employment. Other public works hold out more promise, but not enough to take up the slack. Revival of the private sector of the economy is essential to full employment. Witnesses asked about employment prospects expect increases in soft goods,

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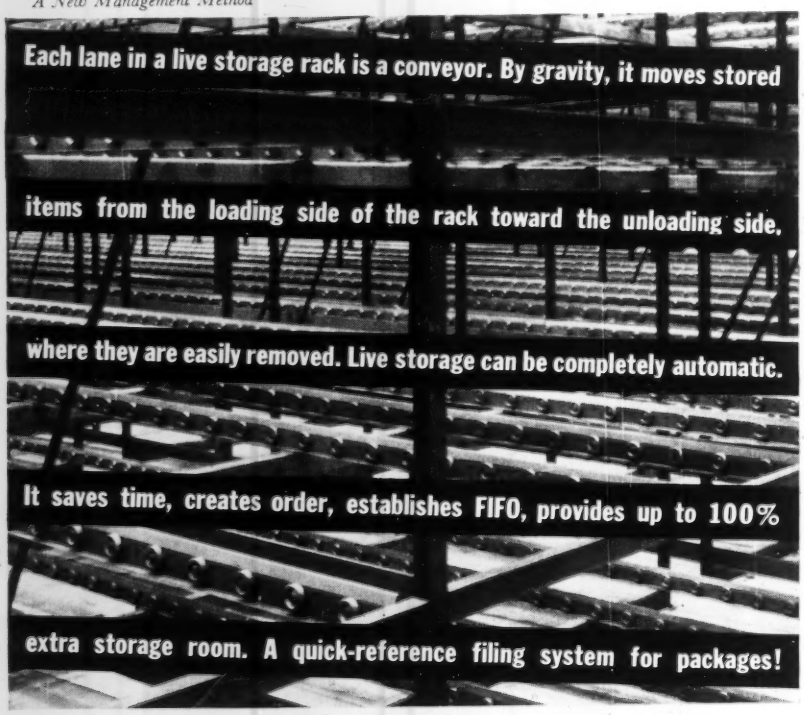
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The Alvey-Ferguson Company, Dept. VJ-3, Cincinnati 9, Ohio

light manufacturing, and construction, but the situation in hard goods, which uses a high percentage of skilled workers, is doubtful.

Democratic criticism of the President's Report runs like this: The Report skirts the more controversial areas. It avoids the word "recession" and says the "adjustment" need not be long or severe. The President continues to shake his finger at management and labor and wants prices and wages related to productivity, but he does not suggest how to do it.

By the time this appears in print the drive for tax reduction will be shaping up. What happens will, of course, depend on the state of business. Signs of an upturn will have to be in evidence if a reduction in income taxes for those in the lower brackets, at least, is to be avoided. The President's admission that tax reduction might be one of the weapons he would use to combat depression reflects the impression made upon him by some of the testimony before the Joint Committee.

The Ways and Means Committee seems to think well of Treasury Secretary Anderson's proposals for better tax treatment of small businesses. His specific recommendations were:

1. That businesses should have the right to utilize, for purchases of used property not exceeding $50,000 in any one year, the formulas for accelerated depreciation made available to purchasers of new property by the 1954 Internal Revenue code.

2. That corporations with, say, ten or fewer stockholders should have the option of figuring their taxes as if they were partnerships.

3. That the taxpayer should be permitted to pay the estate tax over a period of ten years when an estate consists largely of investments in closely held business concerns.

4. That original investors in a small business should have the right to deduct from their incomes, up to a specified maximum, a loss on a stock investment in the business. At the present time such a deduction is subject to the general $1,000 limitation on net capital losses.

Paul Wooton

American-Marietta in 1957...

Another Year of Solid Growth

Achieved record sales of $234 million . . . $32 million more than in 1956.

Increased net income to $17,182,701 . . . the largest in Company's history and 6% above the previous fiscal year.

Earned $2.21 per Common Share, exclusive of Class B Shares.

Split common shares on 3 for 2 basis. Shareowners received one additional share for each two held.

Raised Common Share dividend income by 25% after stock split. 1957 dividends totalled $6,823,696 compared with $4,934,502 for previous year.

Attained a net worth in excess of $100 million.

Increased working capital by $10,791,348 to an all-time high of $44,766,863.

Entered printing ink field through acquisition of Sinclair and Valentine Company with 48 plants.

Acquired Guardite Company . . . a leading producer of equipment for environmental testing and tobacco processing.

Expanded facilities and markets of Adhesive, Resin and Chemical Division through purchase of Booty Resineers.

Added 1,500,000 barrels to annual cement capacity by building of new production facilities.

Increased lime capacity and operational efficiency at several locations.

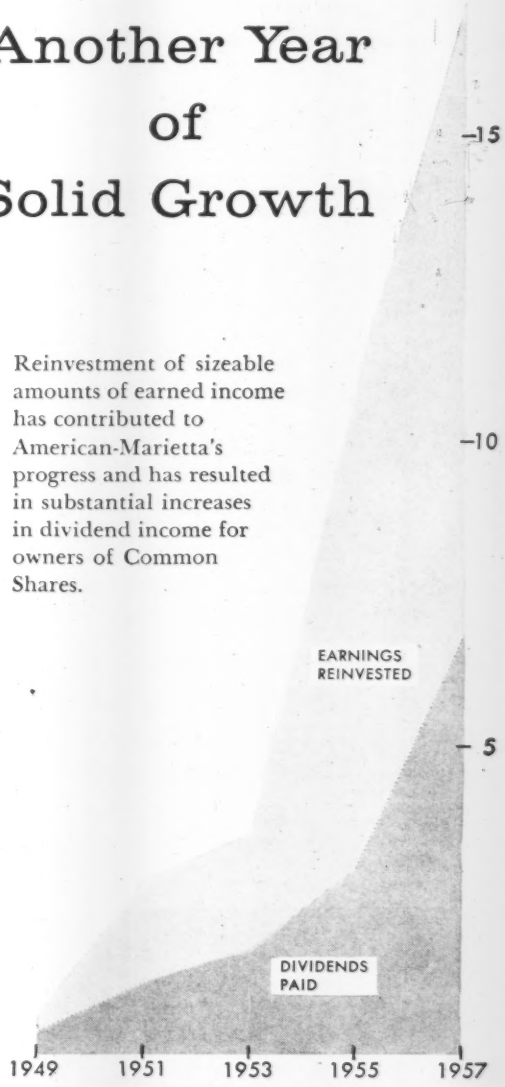
Extended concrete products operations into areas not previously served.

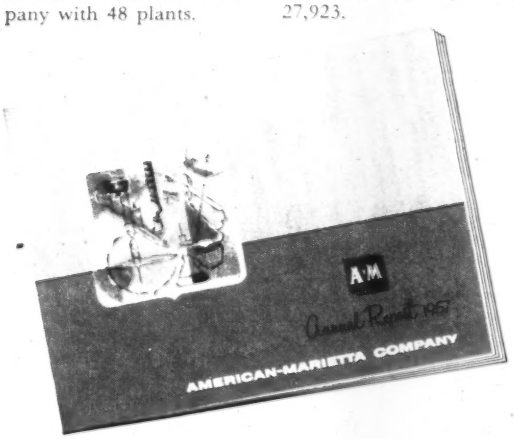
Shipped a record amount of concrete pipe and prestressed bridge sections from enlarged facilities.

Benefited from improved depletion allowance basis applying to raw materials used in cement production.

Had an increase in Shareowners from 21,467 to 27,923.

Reinvestment of sizeable amounts of earned income has contributed to American-Marietta's progress and has resulted in substantial increases in dividend income for owners of Common Shares.





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Standardized Modular Construction

All control units are 20" wide and in multiples of 14" in height. This permits easy interchange of various sizes and types of control units without rearrangement of the entire control assembly and avoids wasting space with dead panels to adapt non-uniform control units. This standardized modular construction also insures good appearance at all times because horizontal lines match.

No industrial today can afford to ignore the savings Unitrol now offers in the installation and use of motor control

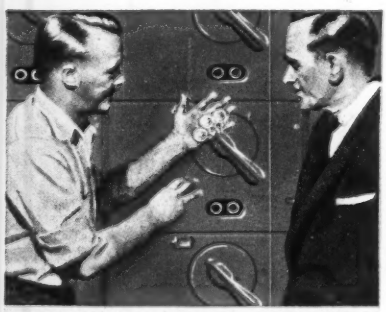
Cutler-Hammer Unitrol cuts costs from the moment it is delivered. It can save days, often weeks, in the time required for the installation of motor control. The high cost of mounting and wiring individual starters is eliminated. Earlier use of the production facilities brings a speedier return on the investment. Unitrol often effects vital savings in floor space, sometimes avoids the need for costly plant construction.

In performance, nothing can compare with the Unitrol. Feature after feature of the astounding Three-Star Control saves time and expense. Superlife vertical contacts *never* require maintenance care in all normal use. Adjustable overload relay coils let motors work harder safely, save the expense of both damaged motors and needless production interruptions. Full three-phase protection such as able engineers now demand is offered by three-coil overload relays.

Compare Unitrol with any other control centers and see the difference. See how sizes and types of control units can be interchanged in Unitrol without rearrangement of the entire assembly or the waste of space with dead panels. Saves time, saves space, saves money. Compare and you *too* will insist on Cutler-Hammer Three-Star Unitrol. Write or wire *now* for full information. CUTLER-HAMMER Inc., 1436 St. Paul Avenue, Milwaukee 1, Wisconsin.

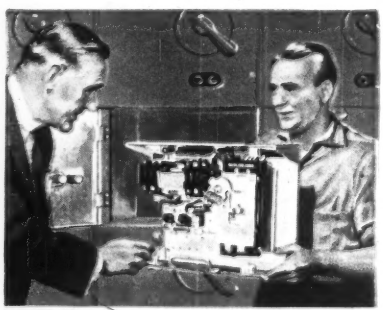
CUTLER-HAMMER
★ ★ ★
UNITROL
C-H

Unitrol plug-in feature disconnects control from power when unit is moved to test position, reconnects without misalignment when unit returns to operating position. Control panel is *always* vertical. Plug-in design permits back-to-back assemblies without staggering control units. Units are removed by merely disconnecting load and control wiring at terminal boards. This wiring is cabled, marked and color coded.

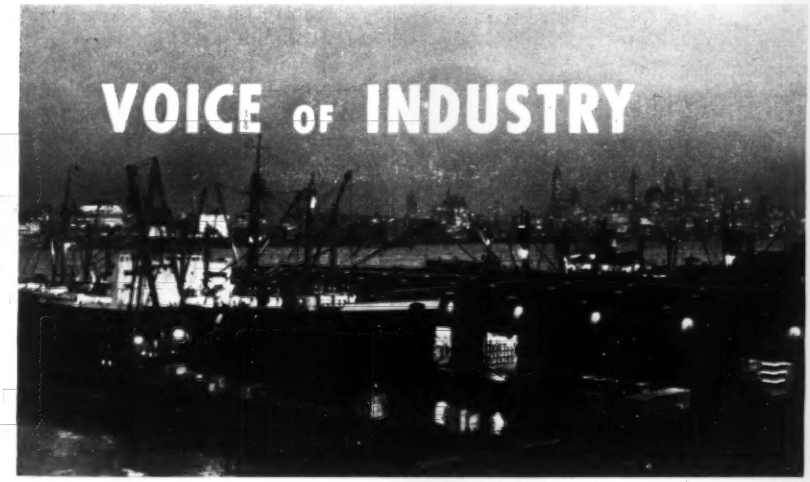


Unitrol provides either circuit breakers or fused disconnect switches of advanced design. Both have three-position self-aligning operators arranged for padlocking with as many as three locks in the "off" position. Recessed pushbuttons and concealed door hinges are typical features that add to safety and fine appearance.

The name UNITROL is a Cutler-Hammer trade mark



Components front of panel mounted without stacking. No crowding, no power connections near panel fasteners. Many Three-Star Control exclusives. Superlife vertical contacts *never* require maintenance expense in all normal control uses. Adjustable overload relay coils let motors work harder with safety. Full Three-Phase Protection with 3-Coil overload relays on standard size starter panels.



Warnings and advice from three industrial leaders and a scientist on problems that face American business today

- *Planning Beyond Customer Needs*
- *Tax Problems and Executive Salaries*
- *Barriers to Private Investment Abroad*
- *Too Much Teamwork in Scientific Research?*

CUSTOMER FOCUS— FUZZY OR SHARP?

FRED C. FOY, *president, Koppers Company, Inc., before the Association of National Advertisers.*

I believe wholeheartedly in the principle that all business must be customer-oriented. But if this concept were taken too literally, we would manage our companies entirely on the basis of some sort of hi-fi playback that would reflect the needs and wants of customers. That's all right, except for one thing—the customer doesn't always know what he wants.

I don't recall any Coxey's army of housewives beating on the doors of Procter & Gamble and demanding synthetic detergents. And who asked for plastics, on which a great new industry has been based?

We shouldn't become so enamored with any seemingly pat formula that we overlook the tremendous opportunities that *always* have existed, and will continue to exist, for those with daring, imagination, and the courage to *anticipate* what the customer wants and needs.

INCOME TAXES AND EXECUTIVE SALARIES

I. MELVILLE STEIN, *president, Leeds & Northrup Company, before the Junior Chambers of Commerce of Lansdale, Ambler, and North Wales-Gwynedd, Pa.*

We have a graduated income tax, the graduations having been set up some years ago, presumably on the basis of "ability to pay" and under "emergency" conditions. I expect it would be fair to say that there was no really scientific approach to the "ability-to-

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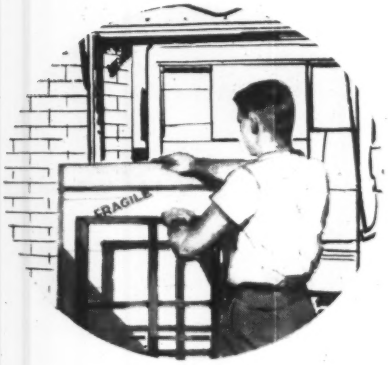

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pay" feature and that expediency entered the picture to a very large degree, but let us assume that a reasonably good job was done under the circumstances. Under the graduated income tax as established, a $5,000-a-year man was required to pay a certain proportion of his income as Federal income tax. If, because of inflation, his pay is now $10,000 and the cost of everything he has to buy, on the average, has doubled, he would have presently just the same "real wages" or purchasing power *before taxes* that he had before. *But* he is now faced with income taxes that were considered to be right *not* for a person with real wages of $5,000 but for a person with real wages of $10,000. In other words, if the ability-to-pay basis were correct when the graduated tax was set up, it is obviously clearly out of line now. When we look ahead, we seem to be in for a continuation of inflation with little prospect of a real resetting of the graduated feature of the Federal income tax.

HOW TO ENCOURAGE INVESTMENT ABROAD

JAMES A. FARLEY, *chairman of the board, Coca-Cola Export Corp., before the National Foreign Trade Convention.*

We of all people should recognize that private free competitive capital can do most jobs in foreign lands more effectively, more quickly, and more efficiently than would otherwise be the case. Some of the points requiring action by our Government through corrective legislation or through treaties are:

First, foreign operations of American interests should be exempted from the laws of our country except as their products produced abroad are returned to commerce within the United States.

Second, our taxation of foreign-source income badly needs overhauling. In no case should a U.S. taxpayer be called upon to pay any U.S. taxes when combined foreign taxes equal or exceed the applicable U.S. rate of tax. We should

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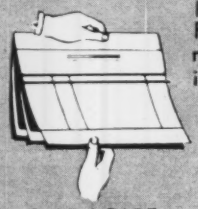

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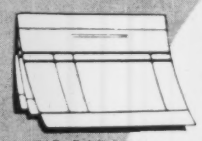

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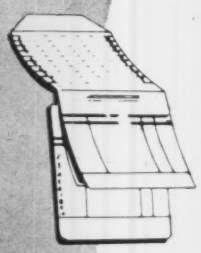

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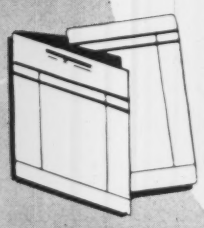

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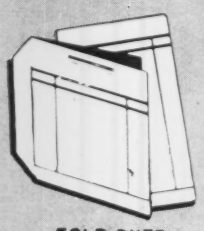

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ILLINOIS
Chicago: Efficiency Inc. SE 8-1983
Chicago: Modern Bus. Forms ST 2-7089
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INDIANA
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Evansville: H. E. Arnold HA 3-0222
Indianapolis: C. H. Arend CL 5-0420
Indianapolis: Indiana Bus. Forms WA 5-9857
Indianapolis: Norm J. Grauel CL 1-3272
Marion: Carl H. Bleke. Phone 282
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Davenport: Fidlar & Chambers 3-8094

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Lexington: Transylvania Ptng. Co. 2-7977

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Lewiston: H. N. George Co. 2-6634
Portland: H. N. George Co. SP 4-9681

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Baltimore: Better Bus. Forms PL 2-2350
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MASSACHUSETTS
Townsend: New England Bus. Ser. TO 111

MICHIGAN
Detroit: G. Norman Brown TR 5-7978
Detroit: Industrial Printers LI 3-9594
Grand Rapids: Superior Bus. Forms GL 6-1087
Kalamazoo: Superior Bus. Forms FL 3-1649

MINNESOTA
Duluth: Modern Supply Co. RA 7-2441
Minneapolis: Arnell Bus. For. FR 7-1814
Moorhead: Steffens Ofc. Equip. 3-1736

MISSOURI
St. Louis: Brice Co. CH 1-3435

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Laurel Springs: Lou Fink & Son 4-0082
Morristown: Service Bus. Forms JE 9-2959
Trenton: Bill Brown & Co. EX 6-9191

NEW YORK
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Binghamton: Cooley Bus. Forms 4-3690
Buffalo: Buffalo Bus. Forms MA 0754
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Syracuse: Cooley Bus. Forms GR 5-1606

NORTH CAROLINA
Greensboro: E. P. Geoghegan BR 4-2772
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Akron: Stinaffs HE 4-2106
Cincinnati: Modern Bus. Forms GA 1-7111
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When foreign governments waive or reduce taxes to attract American capital, our laws should be changed to reduce taxes here accordingly.

INDIVIDUAL INVENTORS VS. LABORATORY TEAMS

WILLIAM J. KROLL, *consulting metallurgist and Perkin Medal recipient, before the American Section of the Society of Chemical Industry.*

I wish to take issue with those who claim that the times of sealing-wax-baling-wire science are over, having been replaced by teamwork. This is unfortunately a quite general conception even in our universities. Our educational system has thrown overboard the pioneer and has tried to replace him by the democratic team. Granted that the latter cannot be avoided in development work, is the team justified in research? In group work, the individual has to conform, and competition is ruled out since it would ruin mutual understanding.

We must offer the recalcitrant lone-wolf researcher a kind of asylum, since this useful species is lately menaced by extinction. High taxes and competition by Government and corporation laboratories have made his life quite precarious. What he wants is freedom first. Will he find refuge in universities as research professor or in corporations granting him some freedom for his creative projects within budgetary limits? Very great discoveries, in my opinion, still lie so close to the surface that they can be unearthed with little expense by nonconforming individuals with an inquisitive mind, with knowledge, and with the holy urge to create.

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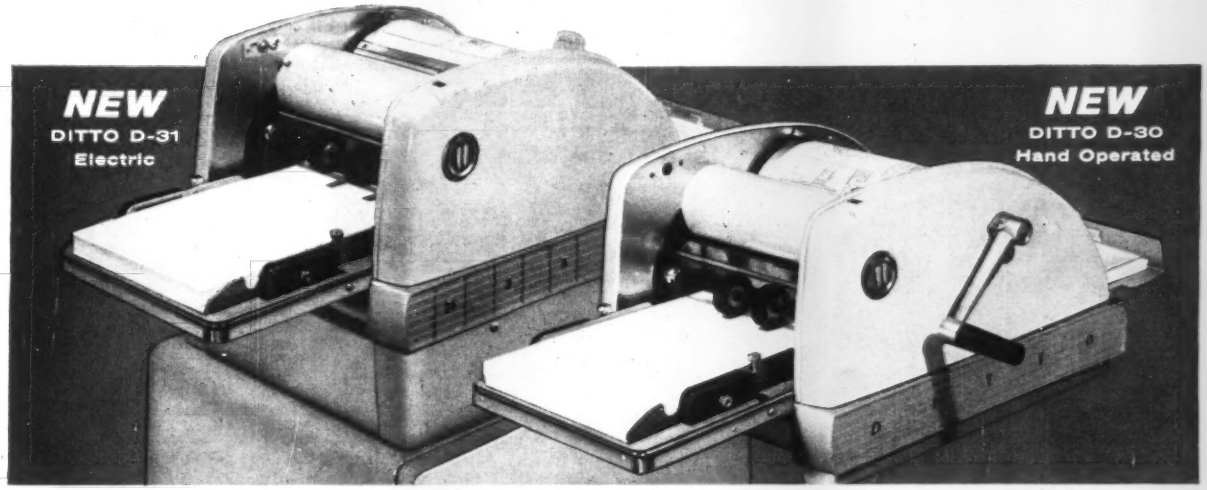

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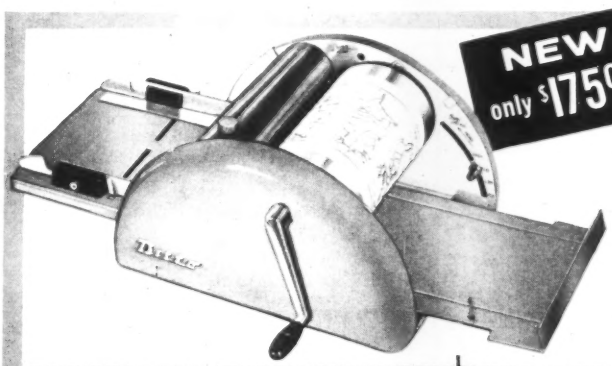

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are expanding their use of Public Warehouses because "The development of a high degree of specialization in the distribution of foods, plus the expansion of our product line make it necessary for us to decentralize our distributing system. We have found Public Warehouses alert to these changes in the food industry. They have the know-how and facilities to serve us economically, and we are looking ahead to further expansion in this field."

Philip Morris, Inc.
have made Public Warehouses an integral part of their program because "Our tobacco products are distributed through nearly 50 public merchandise warehouses strategically located to serve our markets across the country. Through their services we can obtain lowest transportation cost and maximum control of inventories both from the angle of stock rotation for freshness and exactness of stock records."

J. A. Folger Company
found that "Use of Public Warehousing facilities greatly minimizes real estate investments or commitments to long-term leases that may not be useful to the manufacturer during the years ahead."

Mars Incorporated
has made studies that clearly indicate that if direct shipments were relied upon "it would be impossible to avoid out-of-stock conditions on some items within a few days. Our sales department welcomes the establishment of a warehouse stock in a given area, for the immediate availability of goods almost always results in an appreciable increase in sales volume."

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a large user of Public Warehousing says, "Our sales peaks occur in spring and fall but, in this day and age, costs do not permit idle facilities part of the time and overtime production at others, nor can labor forces be drastically reduced and increased at will. Accumulation of stocks in Public Warehouses pending the peak sales periods enables us to maintain an even production level and a stable manpower force at our plants."

Lever Brothers
uses Public Warehousing and says, "Because of the fluctuating nature of our business, such transit operations can be more economically performed by Public Warehousemen, as we would find it necessary to maintain a much larger operating staff to meet our peak volume."

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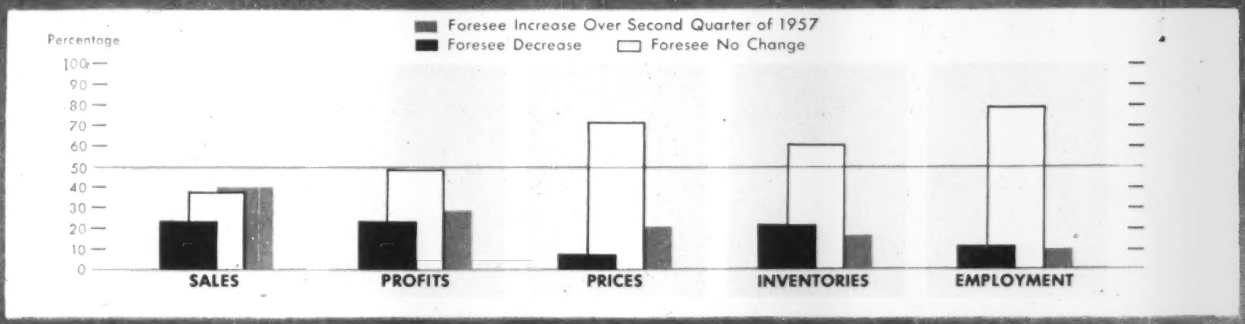
BUSINESS MEN'S EXPECTATIONS

Here is how 1,557 representative executives feel about their companies' prospects in the latest Dun & Bradstreet survey.

SECOND QUARTER 1958



THE LATEST compilation of business men's opinions by DUN & BRADSTREET, INC., reveals somewhat less optimism than has shown up in other such quarterly queries of the past two years. But the majority of business men replying expected business in their own companies in the second quarter of 1958 to equal or exceed the like period last year.

Lagging industrial production, cuts in capital spending, and higher unemployment during recent months have doubtlessly lowered the spirits of many business men somewhat. A year ago only 5 per cent expected their sales to drop in the second quarter of 1957. Now almost 25 per cent anticipate a year-to-year decline in the second quarter of this year. This is especially true among manufacturers of durable goods. Only about 70 per cent expect the same or higher second-quarter sales, compared with 95 per cent last year.

The greatest apprehension concerning net profits in the second quarter of 1958 was also found among durable goods manufacturers. Those anticipating declines slightly exceed those who are looking forward to increases. About half of all those interviewed foresee no change in profits. This compares favorably with opinions expressed by business men about the second half of 1949, a period that, like the second quarter of 1958, followed several months of lagging business activity. At that time more than half anticipated profit reductions. However, in another comparable postwar period of decreased activity, the second quarter of 1954, expectations of lower profits were expressed by only about 20 per cent of the executives.

In the present survey, the majority expected no change in their selling prices, and those anticipating increases in the second quarter of 1958 were far less numerous than those of the same opinion a year ago.

Manufacturers of durable goods were a little less cheery about new order prospects for the second quarter than producers of nondurables.

A further decline in inventories seems likely. Those business men who are considering reductions somewhat outnumber those expecting increases. Although smaller workforces were foreseen in the second quarter by 21 per cent of durable goods makers, a large majority of the total number queried are planning no layoffs.

This is a report prepared in the Business Economics Department, DUN & BRADSTREET, INC., by John W. Riday.

THE SECOND QUARTER OUTLOOK

A COMPARISON OF 1958 WITH 1957

Percentage breakdown of opinions expressed

	ALL CONCERNS			MANUFACTURERS			WHOLESALERS			RETAILERS		
	Increase	Unchanged	Decrease	Increase	Unchanged	Decrease	Increase	Unchanged	Decrease	Increase	Unchanged	Decrease
SALES	40	37	23	41	35	24	41	35	24	36	45	19
PROFITS	28	49	23	29	46	25	27	51	22	26	53	21
PRICES	21	72	7	17	76	7	30	64	6	16	78	6
INVENTORIES	17	61	22	17	63	20	20	59	21	13	63	24
EMPLOYMENT	10	79	11	11	76	13	8	84	8	8	82	10
NEW ORDERS	..	..	..	36	44	20	..	..	..	..	..	..

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THE TREND OF BUSINESS

Outlook cloudier

As of mid-February, business was more sluggish and the near-term outlook less encouraging than a month ago. This is something of a paradox, for evidence suggests that preliminary data understated the strength of activity last quarter. Revised figures for the Christmas season indicate that, despite weakness in car sales, retail trade as a whole rebounded almost to the seasonally adjusted high rate reached last July. Moreover, business fixed investment apparently held at its peak third-quarter level, instead of dropping off slightly as expected. Finally, inventory liquidation exceeded initial estimates, especially in the case of manufacturing durables. With final purchases thus somewhat greater and the cut in stocks larger, at year-end the readjustment seemed to be moving along at a rapid rate.

The situation, however, appears to have taken a turn for the worse in the past few weeks. Car sales were off badly in January. Department store sales fell below last year's rates in the weeks ending January 25, February 1, and February 8. And over roughly the same period other segments of retail trade recorded little if any gain over the year-ago level—which on a seasonally adjusted basis was itself moderately below that reached last Autumn. The slide-offs were doubtless due partly to further cuts in output and employment, which operate to depress income and thus spending. (Between December and January, the Federal Reserve Board index of industrial production fell from 136 to 133, and after allowance for seasonal influences nonfarm employment dropped about 200,000 and over-all unemployment rose from 5.0 per cent to 5.8 per cent of the civilian labor force.) But the figures suggest some independent weakness in consumer outlays since late January. In addition, the outlook for capital investment seems a little less promising. Outlays for private housing fell below their December rate last month—marking at least a temporary halt in the recovery that got under way last Summer—and some major producers have recently reduced planned outlays for plant and equipment.

None of these developments requires a major revision of last month's prediction that the dip in output and spending will reach bottom before long. In particular, the rate of inventory reduction since year-end, though perhaps less rapid than producers expected in view of the additional cut in output, appears to have been above its high fourth-quarter average and should soon slacken appreciably. Still, the low point may turn out to be farther down, and recovery more gradual, than seemed probable a month or so ago. In fact, if matters are allowed to run their course, the fall-off may easily exceed those occurring in 1948–1949 and 1953–1954.

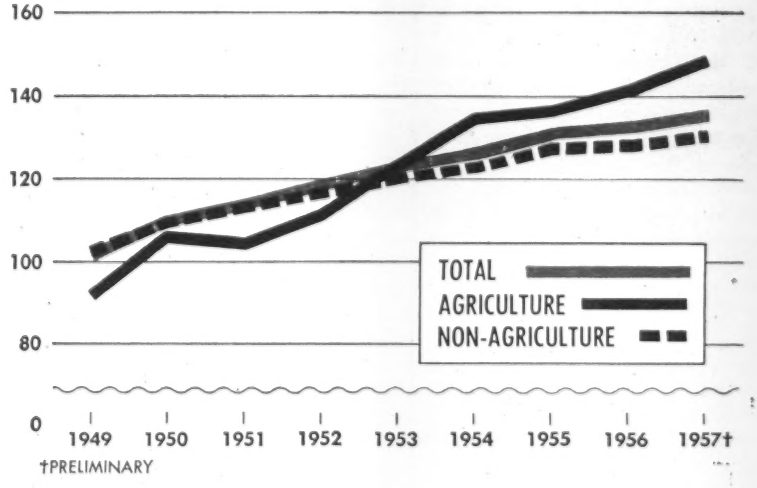
Government tide-stemming?

This possibility, of course, heightens interest in probable near-term changes in the Federal Government's fiscal position. These still cannot be assessed closely, but clues are available as to their nature.

Any evaluation must begin with the budget submitted by the Administration last January. For fiscal 1959, the President advocated a net increase in Administrative budget outlays over fiscal 1958 of about $1.1 billion (from $72.8 billion to $73.9 billion). Receipts were expected to advance from $72.4 billion to $74.4 billion, converting a deficit of $400 million into a surplus of $500 million. (On a consolidated cash budget

TRENDS IN PRODUCTIVITY

(OUTPUT PER MANHOUR WORKED—1948=100)



Over the decade 1948–1957, output per man-hour worked in the private economy has risen at more than its long-term average rate. The pattern of change, however, differed markedly in major sectors. Agriculture experienced a much larger average gain, but since changes in this area depend on climate and artificial production controls, as well as basic technological factors, the movement here has been very uneven—with year-to-year declines in 1948–1949 and 1950–1951.

On the other hand, the advance in the nonfarm sector, while continuous, not only has been less steep, averaging 3 per cent per year, but fell far below average between 1955 and 1956 and between 1956 and 1957. Indeed, productivity rose less than two-thirds of 1 per cent in 1956 and only 1.5 per cent in 1957. On a man-hours-paid basis, the increases were even smaller. Thus, with money labor costs advancing more rapidly, profit margins were squeezed despite a significant rise in prices. It is possible, however, that the huge outlays for equipment made in 1956 and 1957 will pay off in larger gains in productivity this year. *Source:* U.S. Department of Labor.

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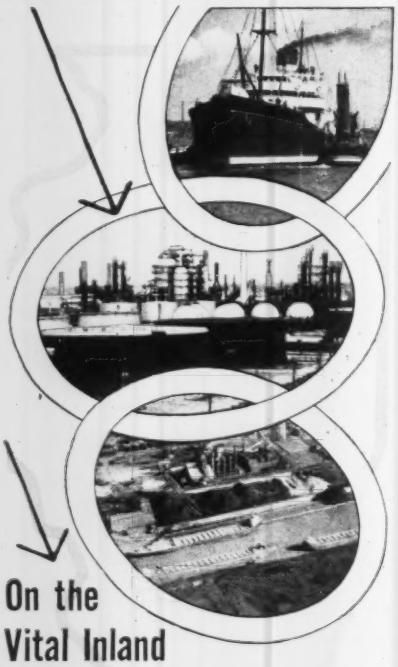

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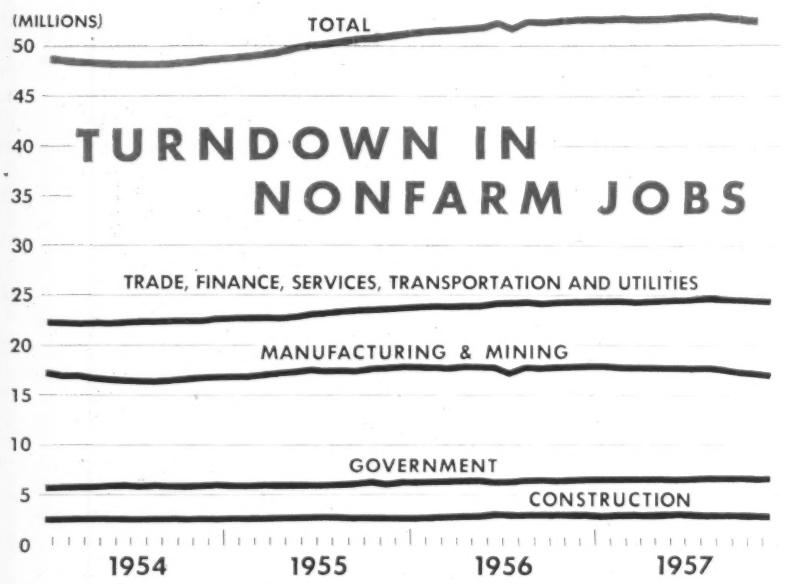

On a seasonally adjusted basis, employment dipped moderately last Fall, terminating the extended uptrend in jobs which began in August 1954. The fall-off, however, reflected moderately divergent trends in major areas. Employment in manufacturing declined almost uninterruptedly through 1957—and at an accelerated rate after July, as a downturn in nondurables reinforced the sharp contraction in durables. But gains elsewhere were big enough to keep the grand total moving upward until September. Although mining, construction, and the railroads declined appreciably in the second half of the year, other fields held their own during this period. Indeed, at year-end, employment not only exceeded its level a year earlier in the finance, trade, and service industries, utilities, and government, but stood at or near the all-time high in all of these except trade. (*Source:* U.S. Department of Labor. Data exclude proprietors, the self-employed, domestic servants, unpaid family workers.

basis, the change was from a surplus of $200 million to one of $600 million.) The proposed net rise in spending was to consist of a jump of around $2 billion in outlays for goods and services, partly offset by net reduction in the aggregate of other budgetary items—such things as grants-in-aid to states and localities, soil bank payments, international loans, and interest on the public debt. On the revenue side, the estimate assumed that the dip in activity would end soon and be followed by a quite rapid rate of expansion.

From the outset, practically all business analysts agreed that outlays would prove to be somewhat higher, and receipts somewhat lower, than the budget message envisaged. Most felt, too, that the setback could not be held within narrow limits unless the net rise in spending was considerably higher, or tax rates were cut, or both. (Few believed that even with the greatest conceivable jump in outlays, activity could bounce back as fast and as far as was assumed in the budget.)

In appraising the outlook in these respects, it is convenient, first, to examine the probable results of Administration moves not deliberately aimed at speeding economic recovery (plus what automatic changes seem in the cards under existing legislation). Then we shall consider probable Congressional action on the same basis. Finally, prospects for deliberate anti-recessionary action will be discussed.

The first heading can be dealt with briefly. With respect to spending, the Administration is almost certain in any case to exceed its budgeted outlays—for goods and services—perhaps by as much as $1 billion. A more rapid step-up in defense appears highly probable, and if crop projections prove accurate, spending to support farm prices should run well above its budgeted total. The outlook for other kinds of spending is less clear, but on balance these may rise too. In particular, the Government will doubtless have to increase public assistance grants to the states.

On the revenue side, the major

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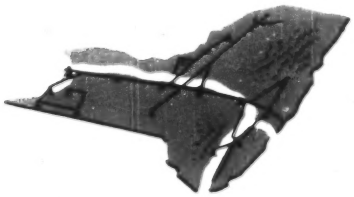

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change will be automatic and downward. Yields from all major tax levies, including those for OASI and the highway program—both excluded from the Administrative budget, but covered in the consolidated cash budget—seem certain to fall short of the estimate. The drop-off, however, will be partly tempered by higher postal rates—though in the Administrative budget this is counted as a reduction in net Post Office spending rather than a rise in receipts.

Will Congress go farther than the Administration? Probably it will do nothing in the tax area—again, assuming a cut is not thought necessary to support demand. It has been clear for a while, however, that our legislators will act to boost spending significantly.

There is strong pressure to raise total defense outlays. In addition, the pay raise voted for Government workers will probably exceed what President Eisenhower requested by 25 per cent or more, and may be made retroactive. Furthermore, the Administration's proposal to hold off on some "pork-barrel" public works projects never had much of a chance. More money will probably be made available for the atomic power program, both for research activities and for reactor construction. Foreign aid may be cut below the recommended level, but not greatly. A net gain in the range of an additional $1 billion

BUSINESS SIGNPOSTS

1939 Average	1947 Average	Selected WEEKLY Indicators†	Latest Week	Previous Week	Year Ago
102	163	**STEEL INGOT PRODUCTION** Ten Thousand Tons (a)	146	145	250
25	49	**ELECTRIC POWER OUTPUT** Ten Million KW Hours (b)	124	123	120
76	121	**BITUMINOUS COAL MINED** Hundred Thousand Tons (c)	80	75	98
69	92	**AUTOMOBILE PRODUCTION** Thousand Cars and Trucks (d)	123.2	128.5	169.0
35	98	**DEPARTMENT STORE SALES** Index 1947–1949 = 100 (e)	96	93	102
5	13	**BANK CLEARINGS, 26 Cities** Billion Dollars (f)	25.1	18.7	25.0
284	67	**BUSINESS FAILURES** Number of Failures (f)	319	342	317

1939 Average	1947 Average	Selected MONTHLY Indicators‡	Latest Month	Previous Month	Year Ago
58	100	**INDUSTRIAL PRODUCTION** Index 1947–1949 = 100 (e)	133	136	146
58	95	**NONFARM COMMODITY PRICES** Index 1947–1949 = 100 (g)	126.0	126.1	125.2
37	100	**FARM COMMODITY PRICES** Index 1947–1949 = 100 (g)	93.6	92.6	89.3
2.2	7.5	**WHOLESALE SALES** Billions of Dollars (g)	10.9	10.9	11.8
3.5	10.0	**RETAIL SALES** Billions of Dollars (h)	17.0	17.0	16.3
5.4	15.6	**MANUFACTURERS' SALES** Billions of Dollars (h)	26.7	27.2	28.8
45.8	58.0	**EMPLOYMENT** Millions of Persons (h)	62.2	64.4	62.6
72.9	190.5	**PERSONAL INCOME** Billions of Dollars, seasonally adjusted annual rate (h)	343.6	343.6	335.9
103	257	**BUILDING PERMIT VALUES** Millions of Dollars (f)	438.3	392.0	417.0

SOURCES: (a) Amer. Iron & Steel Inst.; (b) Edison Elect. Inst.; (c) U.S. Bureau of Mines; (d) *Automotive News*; (e) Federal Reserve Board; (f) DUN & BRADSTREET, INC.; (g) U.S. Bureau of Labor Statistics; (h) U.S. Department of Commerce. †WEEKLY INDICATORS: Steel and bank clearings data for the third week of February; all others for the second week. ‡MONTHLY INDICATORS: Manufacturers' sales and wholesale sales for December; all others for January.

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to $1.5 billion, depending on how much any lift in defense affects items that can be provided quickly, appears a reasonable expectation. The increase will be larger still if the line is held on foreign aid or if legislation to hold present dairy support levels, now due for reduction in April, should be successfully put through over a Presidential veto.

Congress is also likely to reject Administration proposals to lower support levels for major crops. Moreover, it may make larger provision for Federal housing, but such action would affect fiscal 1959 spending only slightly, if at all. This will also be the case with the aid-to-school-construction bill sponsored by Senator John F. Kennedy (D., Mass.), if this can be pushed through Congress. Finally, it is quite possible that Congress will raise the Administration's ante for aid to education.

More aid in prospect

As for prospects for deliberate anti-recession measures, the outlook is more obscure. With respect to spending, there may be elbow-room for even greater acceleration in the defense program. Apart from this, however, the major weapon now available is public works — undertaken either directly by the Federal Government or by other agencies with Federal aid and encouragement. The Administration has about $2 billion worth of Federal projects, representing its kitty for a so-called "quick" compensatory works program, and a stock of longer-range projects. In addition, the Post Office has a sizable backlog of "lease-purchase" buildings, construction of which would require only a small initial outlay by the Government. The Postmaster General recently sent to Congress a program calling for heavy drafts on this backlog. Congress will no doubt approve such action and in addition seems certain to raid one or more of the other shelves, as well as step up spending on projects already under way or now scheduled for initiation. Prominent Democrats are already studying closely measures to step up flood control and reclamation projects in surplus labor areas and to spur hospital building, the highway program, public housing, and slum clearance. At present, however, it is hard to gage either the over-all size or the mix of the program that will

be adopted, and thus the net effect that it will have on spending in the next fiscal year.

What about tax rates? One point at least is clear: If a cut is voted, it will be largely or exclusively in personal income taxes. However, in view of the probable long-term trend in Federal spending, any cut seems unlikely unless the recession threatens to become quite serious, which means that action could hardly come before late Spring at the earliest. (Theoretically, the longer-term outlook does not preclude tax reduction, since this could be on a one-year abatement basis. In practice, however, it would be difficult to keep the abatement temporary. From this viewpoint, tax relief is less desirable than a step-up in public works that would go forward anyway or initiation of other projects with a short building period. Moreover, unlike some of these projects, tax relief cannot equitably be concentrated in surplus labor areas.) But if a cut is made, it will probably be of significant size—somewhere in the range of $2.5 billion to $3.5 billion.

Summing up

What does all this come to? It still seems certain that the economy will not nosedive. The increase in Federal spending that is already in the cards, coupled with a similar rise in outlays by states and localities, provides adequate insurance against that. Nonetheless, there is no guarantee that we shall not experience a recession more serious than earlier postwar shakedowns. The boosts in spending now definitely ahead do not appear big enough to preclude the possibility of that.

(The January forecast, in fact, had assumed that at least as much additional spending would occur.) Larger outlays or tax cuts, aimed deliberately at propping demand, are another matter. The odds now are that we shall get some of these, beginning next Spring or Summer. If so, the best bet is still that at worst the dip will not be much if at all greater than in 1948–1949.

This is a report prepared in the Business Economics Department, Dun & Bradstreet, Inc., by Edwin B. George and Robert J. Landry.

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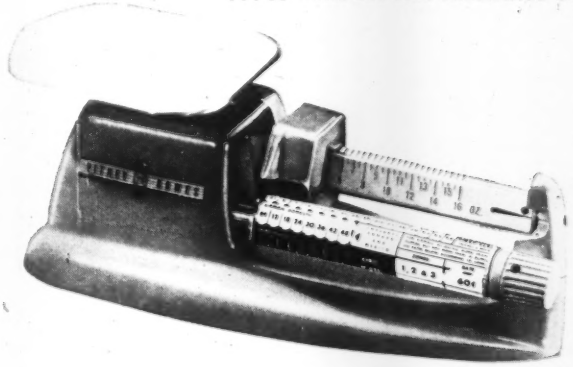

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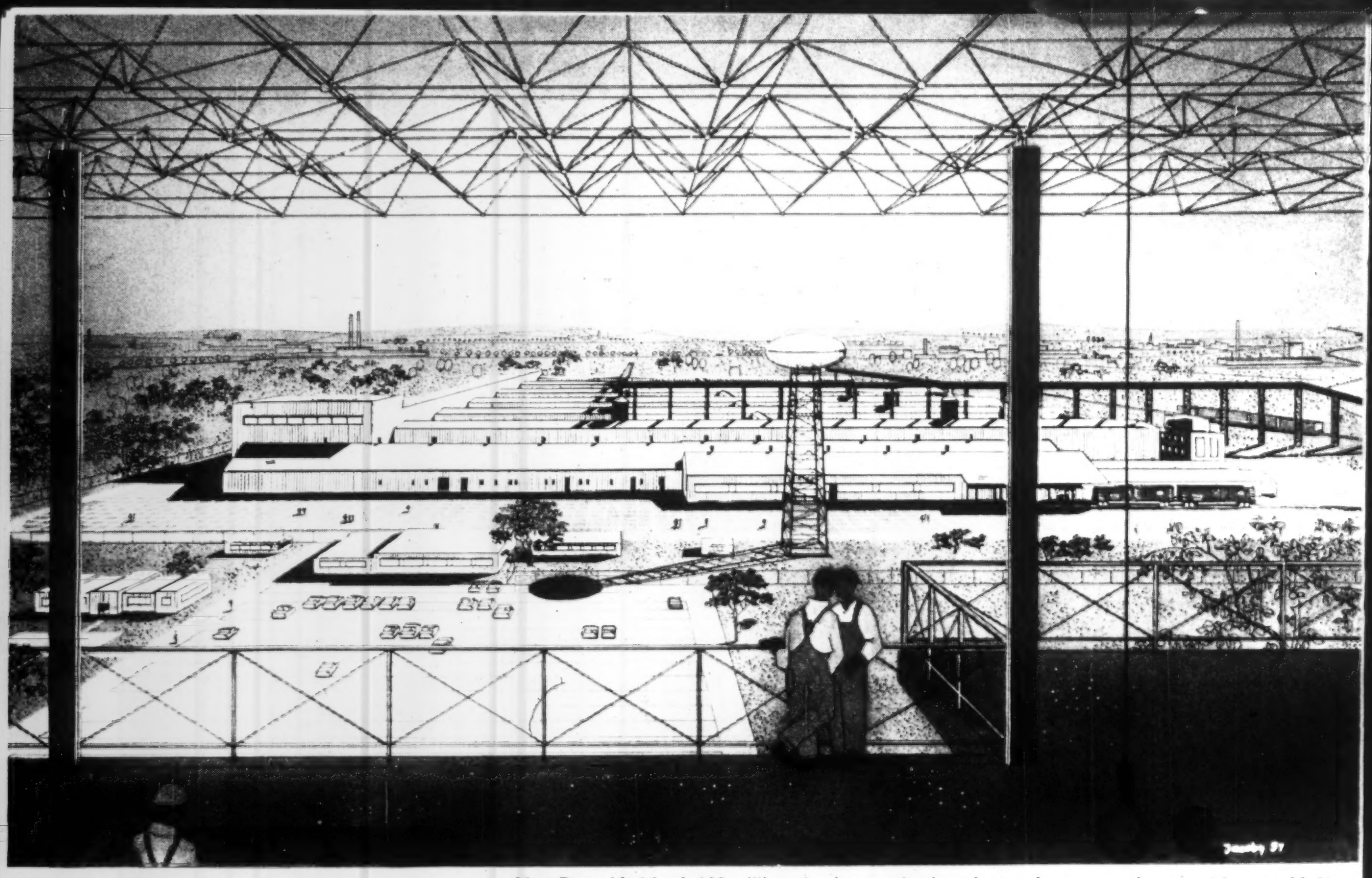

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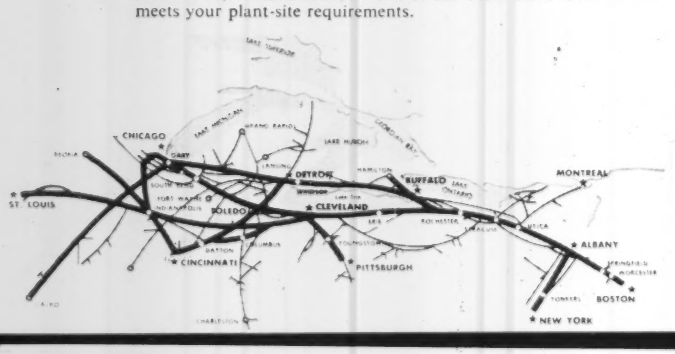
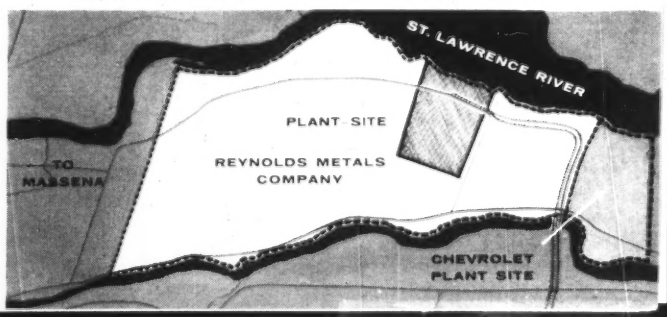
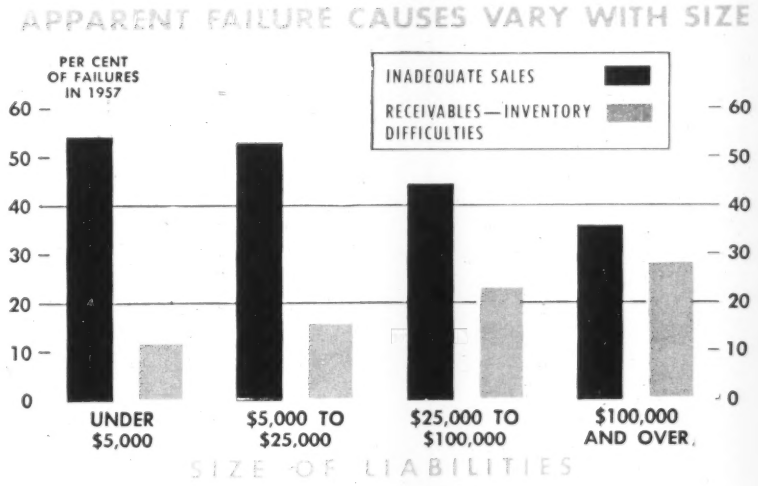


New York Central assembled 1,750 acres of land for Reynolds Metals Company. General Motors acquired a plant site from Reynolds for the erection of Chevrolet's castings foundry.





FAILURES: *Highest January Total Since 1939*

CLIMBING 18 per cent, business failures in January totaled 1,279. Casualties have ranged higher only once—March, 1957—in the postwar period. More concerns succumbed than in any other January since 1939, when 1,567 failures occurred.

The rate of failure rose moderately to 53 per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*. As reflected in DUN'S FAILURE INDEX, this rate is not so steep as it was in several months of last year, but it marks the highest level for January since 1940.

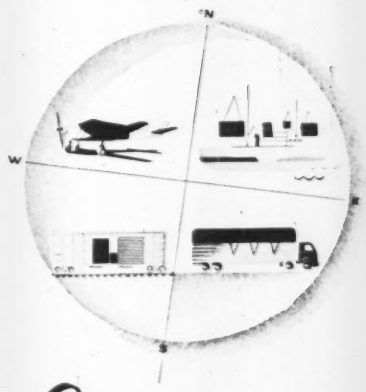
Dollar liabilities involved in the month's casualties bulked 42 per cent larger than in December. At $64.4 million, they were the heaviest in eleven months and 19 per cent above the January 1957 total. Casualties in the million-dollar liability class, rising to seven from two in the preceding month and from two a year ago, were primarily responsible for the big jump in losses. But more concerns of all sizes failed than last year. Their totals ranged 9 to 15 per cent above 1957 levels.

Retail Failures Set Record

After holding relatively steady for the last half year, casualties among wholesalers jumped sharply in January. The total for retailers edged to a postwar record. In fact, failures rose above December levels in all functions except commercial service. The apparel and automotive trades accounted for most of the wholesaling upsurge. On the other hand, the increase among retailers was general in all lines except drugs. General merchandise and apparel stores suffered the heaviest casualties since the previous January. In the building materials and automotive trades, failures set postwar records. Among manufacturers, month-to-month trends were mixed, but the over-all total increased slightly. Totals fell off considerably from December in the lumber, machinery, and transportation industries, but casualties of concerns manufacturing iron and steel products were at the highest point in almost a year. Among contractors, a rise in general building was partially offset by a dip in subcontracting, which sank to a seven-month low.

Construction Casualties Down

Fewer construction businesses succumbed than in January last year, indicating that perhaps the long upward trend in this line has ceased. In other functions, increases over 1957 persisted, with manufacturing, retailing, and service casualties up 10 to 11 per cent and wholesaling surging 43 per cent above a year ago. There was a general increase in all wholesale trades, but the retailing rise was concentrated entirely in the building materials and automotive trades and in eating and drinking places. The year-to-year



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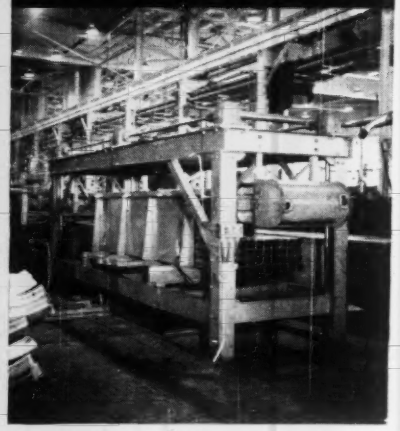

Live Storage Permits Efficient Use of Production Equipment

This Planet system, which was recently installed in an auto plant, automatically handles frame members from tube forming to assembly. Its outstanding feature is the stacker illustrated which provides an automatic float for tubing formed in excess of immediate production requirements. In this installation, the stacker accumulates and bands the tubes on dollies for live storage. This permits efficient use of the forming equipment at timed intervals, while supplying assembly with a steady flow of tubes.

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WHY BUSINESSES FAIL — Year Ended December 31, 1957

APPARENT CAUSES	MFG. %	WHOL. %	RET. %	CONST. %	COMM. SERV. %	TOTAL %
NEGLECT	3	5	4	3	4	4
FRAUD	2	4	2	1	1	2
INEXPERIENCE	93	89	92	94	92	92
Inadequate sales	54	48	52	35	51	49
Heavy operating expenses	8	6	5	13	10	7
Receivables difficulties	12	17	6	18	7	10
Inventory difficulties	6	11	11	3	2	8
Excessive fixed assets	9	4	6	4	12	7
Poor location	*	2	5	*	3	3
Competitive weakness	17	20	22	29	19	22
Other	5	6	4	8	4	5
DISASTER	1	2	1	*	1	1
REASON UNKNOWN	1	*	1	2	2	1

*Less than 1 per cent.

Compiled by DUN & BRADSTREET, INC. Classification based on opinions of creditors and information in credit reports. Since some failures are attributed to a combination of causes, percentages do not add to 100 per cent.

trend in manufacturing was steady or slightly upward in most industries. The sharpest rise occurred in the leather industry, contrasting with a decline in textile and apparel lines.

In all except two of the nine major geographic regions, failures rose between December and January. Increases amounted to some 25 per cent in several areas, including the Middle Atlantic and East North Central states, and exceeded 50 per cent in the South Atlantic states. On the other hand, the Mountain and Pacific states suffered fewer casualties than in the preceding month. Oregon and Washington were responsible for the drop in the Pacific total—California edged up slightly.

Apparently the rise in failures in the East and West South Central states, which was strong throughout 1957, has abated. Neither they nor the Mountain states had so many failing businesses this January as a year ago. In all other regions, mortality exceeded the 1957 level. In fact, casualties in the Middle and South Atlantic regions reached their highest levels in the postwar period. Totals rose sharply over last year's in a number of individual states: Massachusetts, New York, Michigan, Wisconsin, Kansas, North Carolina, and Kentucky.

Failing concerns in the 25 large cities surged up 26 per cent from December to reach the highest level since May 1956. Sharp increases occurred in New York, Detroit, Milwaukee, and Baltimore. However, non-metropolitan districts showed the greatest rise in casualties from the comparable month of last year.

Underlying causes of failure shifted little between 1956 and 1957—managerial inexperience and ineptitude continued to account for nine out of ten casualties. Over a longer time span, however, the pattern of some causes has changed noticeably. For instance, competitive weakness was noted more than twice as often in 1957 as in 1949. Also, since 1949, a growing portion of failures have been attributed to inadequate sales and receivables difficulties.

As the chart on page 31 indicates, reasons vary with the size of the casualty. Similarly, there are differences between industry and trade groups. Neglect plays a larger role in retail and wholesale failures, reflecting the importance of individual proprietors in these groups. But neglect (because of ill health, drinking, gambling, marital problems, and so on) accounted for an exceedingly small percentage of total fail-

THE FAILURE RECORD

	Jan. 1958	Dec. 1957	Jan. 1957	% Chg.†
DUN'S FAILURE INDEX*				
Unadjusted	55.3	48.8	50.4	+10
Adjusted, seasonally	53.2	51.9	48.0	+11
NUMBER OF FAILURES	1279	1080	1148	+11
NUMBER BY SIZE OF DEBT				
Under $5,000	199	134	173	+15
$5,000-$25,000	603	514	543	+11
$25,000-$100,000	340	347	306	+11
Over $100,000	137	85	126	+9
NUMBER BY INDUSTRY GROUPS				
Manufacturing	219	208	197	+11
Wholesale Trade	130	96	91	+43
Retail Trade	676	514	612	+10
Construction	176	174	177	-1
Commercial Service	78	88	71	+10
LIABILITIES (in thousands)				
CURRENT	$64,442	$45,325	$54,060	+19
TOTAL	64,535	45,325	54,825	+18

*Apparent annual failures per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*.

†Percentage change, January 1958 from January 1957.

In this record, a "failure" occurs when a concern is involved in a court proceeding or in a voluntary action likely to end in loss to creditors. "Current liabilities" here include obligations held by banks, officers, affiliated and supply companies, or the governments; they do not include long-term publicly held obligations.

Failures by Division of Industry

(Liabilities in millions of dollars)

	Number January		Liabilities January	
	1958	1957	1958	1957
Mining, Manufacturing	219	197	24.9	16.1
Mining—coal, oil, misc.	6	6	0.5	1.5
Food and kindred products	14	13	0.8	1.6
Textile products, apparel	45	53	2.0	2.5
Lumber, lumber products	36	34	1.9	2.6
Paper, printing, publishing	9	11	0.6	0.6
Chemicals, allied products	5	3	0.2	0.7
Leather, leather products	12	5	2.5	0.5
Stone, clay, glass products	6	3	1.4	0.1
Iron, steel, and products	14	10	0.9	1.6
Machinery	18	19	1.3	1.9
Transportation equipment	4	6	6.6	0.5
Miscellaneous	50	34	6.3	2.1
Wholesale Trade	130	91	5.5	5.3
Food and farm products	25	18	1.1	1.2
Apparel	10	6	0.3	0.6
Dry goods	4	1	0.1	*
Lumber, bldg. mats., hdwre	17	12	1.6	0.6
Chemicals and drugs	4	1	0.1	*
Motor vehicles, equipment	10	7	0.2	0.6
Miscellaneous	60	46	2.1	2.3
Retail Trade	676	612	20.8	17.9
Food and liquor	96	101	2.3	1.7
General merchandise	34	34	2.2	2.3
Apparel and accessories	133	140	2.9	2.7
Furniture, furnishings	84	86	3.2	3.7
Lumber, bldg. mats., hdwre	58	32	2.9	0.8
Automotive group	86	59	2.7	2.4
Eating, drinking places	121	97	3.0	2.5
Drug stores	10	14	0.3	1.0
Miscellaneous	54	49	1.3	0.8
Construction	176	177	9.9	10.7
General bldg. contractors	82	76	5.0	7.3
Building subcontractors	86	89	3.9	2.9
Other contractors	8	12	0.9	0.5
Commercial Service	78	71	3.4	4.1
Total United States	1279	1148	64.4	54.1

Liabilities are rounded to the nearest million; they do not necessarily add to totals.

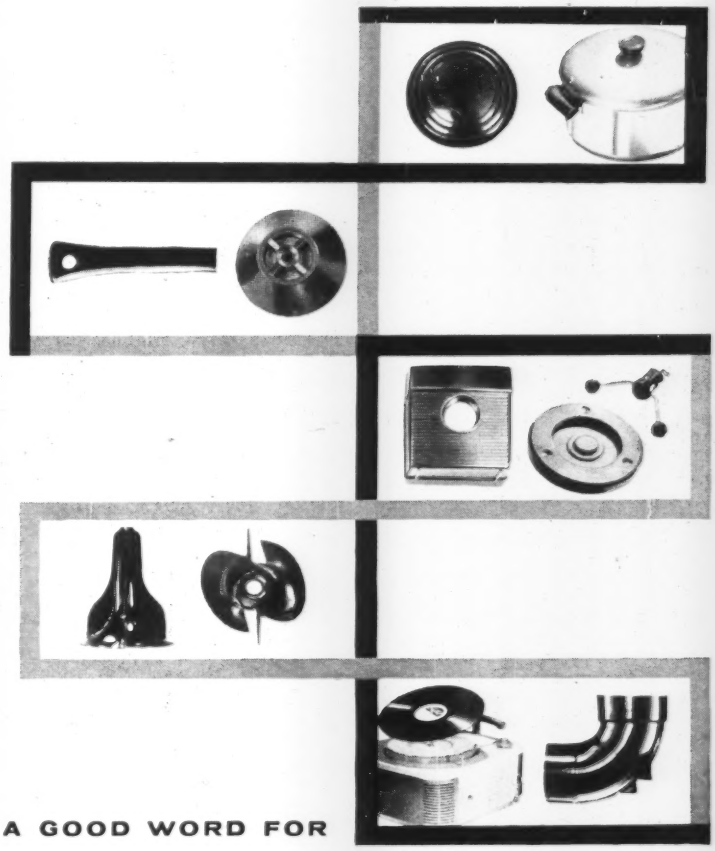
*Less than $100,000.

ures. Fraudulent cases involving false financial statements, premeditated overbuys, and irregular disposals of assets were also rare.

Receivables difficulties plague two to three times as high a percentage of manufacturers and wholesalers as of retailers. Excessive fixed assets claim a higher portion of the service casualties than of any other group, and heavy operating expenses appear to be a greater problem for construction and service businesses than for trade concerns. The latter are more likely to encounter inventory difficulties that lead to failure.

Retailers take a chance, and often lose, when they have no previous experience in a line. Many construction contractors who are skilled workmen in the building field fail because they lack managerial experience. They encounter difficulty in preparing correct cost estimates, and they are unable to cope with job delays. Underbidding is noted frequently as one of the causes of construction casualties.

This report was prepared in the Business Economics Department, Dun & Bradstreet, Inc., by Rowena Wyant.



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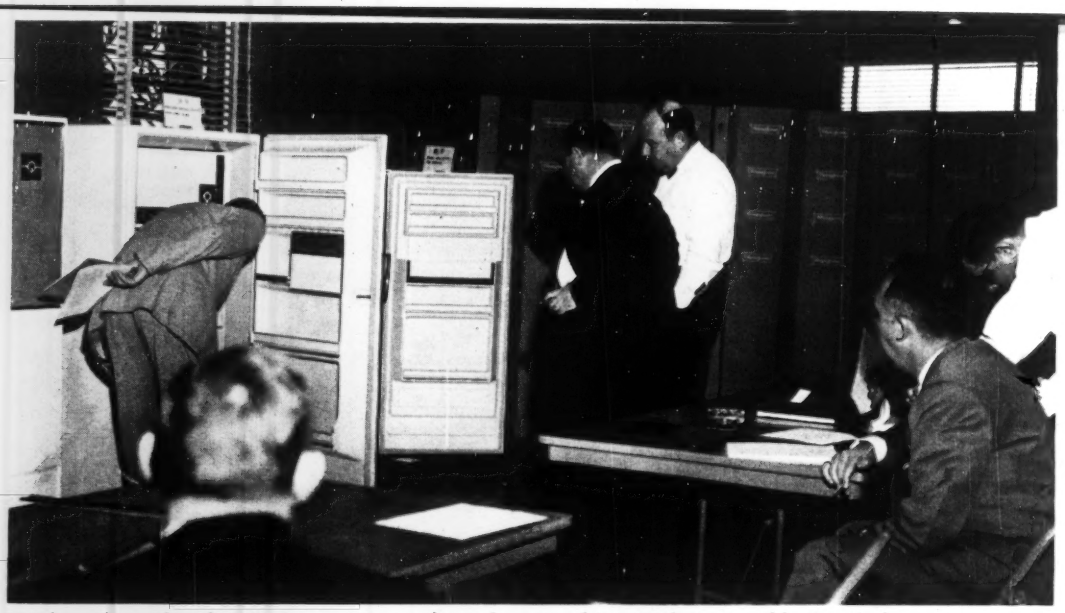

Members of a product design team present a mock-up of a new refrigerator for approval by Westinghouse management.

PRODUCT PLANNING FOR FUTURE PROFITS

RICHARD D. CRISP

"Innovate or die!" In any industry, over the long run, that's the iron law of the market. But the price of pioneering can be fatally high for companies that don't know how to skirt the pitfalls.

AS OF MARCH 1958, anyone's list of the half-dozen most worrisome problems of top management would have to include two items that quite a few of today's executives have never before encountered at first hand. One is a continuing softening of sales volume, often showing up in a shrinkage of back orders and a swelling of inventories. The other is the mounting pressure on profits, resulting from the unpleasant combination of lower-than-capacity operating levels and higher break-even points.

Serious as these two problems can be, in the long run they're far from insoluble. Many management people have learned that there is one area of constructive action that promises to contribute to the solution of both. That area, of course, is new-product development.

If management attention today is more intensely concentrated on the development of new products than ever before, the reason is simply the tremendous potential profit and volume in new products. The nature of this potential shows up in the results of a recent study by an industrial publisher. In ten different industrial classifications new products were expected to contribute from 30 per cent to 80 per cent of total volume over a period of five years—that is, from 1955 to 1960.

Figuring the Odds

But while the development and marketing of new products promise important volume and profits to those who succeed, the odds against the success of a new product today are higher than most business men realize. In fact, a frequently quoted observation, that four out of five new products fail, greatly underestimates the odds. There are three reasons for this.

First, the observation was based on the experience of 200 large manufacturers of consumer products, all of whom have substantial experience and skilled, specialized personnel. If four out of five of *their* new products fail, the odds for all companies are certainly much higher. Second, the study was made in 1945. The competitive pressures against a new product in 1958 are unquestionably much heavier, and the chances of success correspondingly lower. Third, the estimate was based on the performance record of products actually placed on the market. It didn't take into consideration cases of product-mortality before launching but *after* substantial investments of time, effort, and money.

Long experience in the marketing-management field has convinced me

that there are few areas of management practice today where the gap between the most effective and the least effective performance is as wide as in new-product activities.

What does this mean for companies whose experience in new-product activities has been less satisfactory? Simply this: If your company is like most others, a marked improvement in your new-product batting average can be achieved rather quickly and easily, by introducing into your operation certain approaches and principles distilled from the experience of companies outstandingly effective in new-product marketing.

How to Look for Trouble

To help you identify the areas in your new-product program where the greatest opportunities for improvement exist, here is a rundown of the chief trouble spots.

1. What are the objectives of your new-product activities?

The single difference that most commonly distinguishes the successful from the unsuccessful company in the new-product area lies in the answer to this question: Do you have the specific objectives of your new-product program in writing so that they can be clearly understood by all? Failure to crystallize the objectives of a new-product program before making substantial commitments of time, money, and effort is a major source of new-product failure.

Crystallizing the objectives of a new product is essential for increasing efficiency and minimizing wasted effort. The search for a promising new product often involves considerable wasted motion. Sharply defined objectives can greatly reduce that waste by (1) narrowing the search to those products that will contribute to the attainment of the predetermined objectives and (2) insuring the early abandonment of projects inconsistent with those objectives. Dropping a product at a lower and hence less expensive point on the developmental curve results in marked savings.

An example will help to show how successful new-product marketers use objectives as a tool. The Toni Company was once actively seeking new products. The objective of the search was to find and develop products with a Winter consumption peak to offset the Summer peaks of existing products. But an important subsidiary objective was to find products that could share the cost of some of the company's expensive television commitments during the Winter months.

One product that was considered, evaluated, developed, and even carried into the test-market stage was a hand lotion. But research disclosed that hand lotion as a product class has a consumption peak in small town and rural areas. At that time, television audiences peaked sharply in larger cities. The lack of fit between the shape of the market for the product and the company's objectives counted heavily in the decision to drop the product.

A similar lack of fit was disclosed when S. C. Johnson & Sons, Inc., makers of wax products, was considering adding shoe polishes to its line. One prime objective of the company's new-product program at that time was to find products that could be sold by the consumer-product sales organization through the same distribution channels used for its other consumer products. Shoe polish sells in substantial volume. Much of that volume, however, involves specialized distribution channels to reach shoe-repair and shoe-supply retailers. The company lost interest in the product when it found it would have to set up a separate sales organization or else divert a considerable amount of the present sales department's time from its regular customers. Again it was the predetermined objective that led to an early recognition that there was a serious lack of fit.

2. How similar are the new products you are considering to those you now make?

Getting the answer to this question can be vital to success or failure and hence should be considered as early as possible in the planning of a new product. For the experience of countless companies has led to the distillation of this principle: *The more a proposed product differs from those you are now making and know thoroughly, the greater are the odds that it will never contribute a dollar of profit.*

The explanation lies in what we might call a buried assumption. (In new-product situations, there is usually an intrinsic and implicit assumption.) That is, it is assumed that the new product can be added to the line and marketed without much more drain on the time and effort of the management team, per sales or profit dollar, than existing products require.

In the case of variations of products with which the management team is already familiar—like a new cake-mix flavor or a new industrial lubricant added to an existing line—this assumption is likely to be valid. But when management has to learn an entirely new business to produce a new product, the assumption most emphatically does not apply.

The millions of dollars that have been poured down the rathole before management faced the facts and asked, "What are we doing here?"

The permanent Products Committee at Rockwell Manufacturing Company is composed of representatives of every segment of management. Here, headed by President W. F. Rockwell, Jr. (center), the committee is in regular session. Object on table is model of radial saw.

would make a large dent in the Federal deficit.

Two factors are present in this kind of situation. The first is the high cost of the time and effort necessarily expended by a company's top management team. This added burden might be taken on without difficulty if a team began the job with time on its hands. Such a starting point is mighty unusual. The second factor is the effect that this diversion of a large share of management's time and attention will have on a company's existing products and product lines. Such a diversion is often an important contributing factor to a decline in sales and share-of-market for existing products. When management concentrates attention on new-product activities, it's important to be sure that someone is watching the store. For it is a rare new product indeed that can contribute enough to a company's volume and profit to offset fully a significant decline in the company's established products. Such a decline is often an unanticipated and unidentified "cost" of a new product.

Incidentally, there is a big opportunity here for many companies to improve their new-product planning. An aggressive new-product program often requires the commitment of a significant share of a company's total assets, including the important if intangible one of top-management time and attention. Companies doing the best job in new products rarely lose sight of this fact. In evaluating a proposed new product, they always ask, "Would the same amount of time, effort, and money devoted to our existing products pay us a larger return on our investment?" If the answer is "yes"—and it often is—the new product is dropped.

These comments do not mean that emphasis on new-product development is being overdone. Rather, they are intended to underline this fact: A new-product program is likely to be fully effective only if it is first planned and then executed with a full awareness of its probable impact on the company's total situation.

3. Does your new-product planning proceed from factory to consumer, or does it work in reverse?

An accurate and objective answer to this question will do much to reveal exactly how up-to-date your company's marketing management is in its approach to the new-product area. At one time production-minded managements decided what they were going to make and proceeded to make it. The sales department was then given the task of selling the product. Often the market was restricted, or the product was unsuited to the needs of the market. Extraordinarily high sales costs were the result.

Control unit of a new automatic vacuum cleaner is subject of a product planning session at the Old Greenwich, Conn., Electrolux plant. Planners include research, engineering, production, manufacturing, and methods executives.

Today well-managed companies accept beyond question that it is easier and cheaper to make what customers want to buy than to sell them what you want to make. As a result, management tends to be customer-oriented. It is this shift in emphasis, more and more widely recognized, that is largely responsible for what is sometimes described as the "new marketing concept."

In new-product development and marketing, a consumer-oriented approach prevails in those companies with the most impressive new-product record. Perhaps you think these comments are too obvious. The sad fact is that they are not. The proportion of companies devoting expensive developmental time to "getting the bugs out" of products for which there is no customer need or desire is shockingly high.

This comment isn't meant to apply to products that are too new for consumers to be aware of their need for them. I am thinking of those products with "advantages" that the customer can enjoy only by sacrificing other values more important *to the customer.*

For example, not so many years ago, Servel developed an automatic ice-cube maker that fitted inside the frozen-food storage section of the Servel refrigerator. The device, introduced with considerable fanfare, jolted other refrigerator manufacturers, one of whom quickly conducted a small-scale consumer study. When the results were laid before him, he told his design department to scrap plans for trying to top the Servel innovation. What did the research show? It disclosed that housewives, being reasonable creatures, would much prefer to have the space taken up by the device given to additional frozen-food storage, which they use every day, rather than have the convenience of automatic ice cubes, which they need in quantity only on special occasions.

To determine how your company stacks up in this respect, study a list of the new products you have done major work on over the last several years. Ask yourself where the basic suggestion or idea came from that started the work on a project. What evidence was there of a real and important need for such a product among the customers you hoped to sell it to?

In the case of the industrial and consumer durable goods market, it is often difficult to secure a custom-

continued on page 64

New approaches and more personal selling are taking the spotlight as the current recession forces companies to find fresh ways of . . . .

STRENGTHENING SALES IN A SAGGING MARKET

THOMAS KENNY, *Marketing Editor*

SINCE THE START of World War II, American business has wrestled with the "hard sell" in only two short periods, 1948–1949 and 1953–1954. Now most companies are well into the third. What are they doing about it?

A new DR&MI survey of 50 key companies across the nation shows that no one is reaching for the panic button. Few are embarking on crash programs to revive sales. Instead, most are intensifying their regular selling efforts, and some are developing new approaches to ride out the recession.

One of the surveyed companies has hit upon a new combination of marketing techniques. It is proving so fruitful that the company insists on remaining nameless, for fear of tipping its hand to competitors, but it is willing to reveal details. This company, a good-size metals manufacturer, was the only major producer in its industry to chalk up a higher net profit in 1957 than in 1956. And it is sure that its 1958 sales and profits will top last year's.

How does the company do it?

The sales vice president says, "The theme of our program is *no cost reduction in the selling effort.* While other parts of the company have been cut back to the bone—we've even dropped the company picnic—the go-ahead signal is on for spending in sales." Of course, he adds, the need for selective and effective spending to boost sales is more important now than it has ever been before.

In addition to a larger advertising budget for 1958, this company is planning to step up its spending for market research and sales analysis—as a way to keep a close check-back on critical spending.

The company also says that it fortunately anticipated the turndown in the economy some months before it became apparent to most people. As a result, the company began adding to its sales force early and now has about 15 per cent more salesmen than a year ago. At the same time, management has been cutting down the size of its sales territories, to help salesmen work their territories more intensively and dig out the volume there.

Faced with a weak consumer market, the Lewyt Corporation, New

York manufacturer of vacuum cleaners, is looking to its contract manufacturing business to keep total sales high. By expanding into such growth areas as heat transfer and electronics, Lewyt expects to benefit from stepped-up defense spending in 1958. But the consumer market is not being neglected. In fact, an unusual promotion is being used to strengthen vacuum-cleaner sales.

More Dealers, More Sales?

One way to hypo sales in a weak market is to increase the outlets for a product. Lewyt aims to boost the number of its franchised dealers 15 per cent in the current Spring drive. To test the reasonableness of this goal, President Alex Lewyt spent a week in the market, pretending to be a salesman, and came back with fifteen new dealerships. Hence the name of the current drive, "Beat The Chief." This is the company's first all-out effort to add dealers. And it is given further impetus by the prizes offered salesmen and distributors: six Volkswagens.

To back up the dealership campaign, the Lewyt sales staff is being expanded, sales training refurbished, and the advertising budget kept high.

Proving that different roads can lead to the same goal, another company is drastically reducing the number of its dealers—to strengthen its sales. The Hotpoint Company, Chicago (a G-E division), had 14,000 dealers a few months ago. The number is now down to 11,800, and the company may arrive at a final total of from 8,000 to 9,000 within the next few months.

Says a spokesman for Hotpoint: "This may sound as if we are chopping dealers indiscriminately, but we are not. The type of dealer with whom we are not renewing the franchise is the kind who sold three Hotpoint appliances last year: one to his Aunt Minnie, one to his cousin, and one to himself."

Fewer Dealers, More Sales?

Hotpoint is interested in dealers with demonstrable potential, and the company intends to upgrade them so that they may become the No. 1 dealers in their localities. This will be done in a number of ways, but the reorganization through which Hotpoint itself is going will be the basis for them all.

This reorganization involves both integration and a shift in distribution. Before it began, in January, the company had five separate product departments (TV, Range, Dishwasher, Home Laundry, and Refrigerator). Each of the five departments engaged in some sales efforts, but distribution control was entirely out of Hotpoint's hands.

After the change-over, the company was streamlined down to three operating departments and one over-all sales and distribution department within Hotpoint. This new department is responsible for the sales and distribution of all Hotpoint products and will enable the company to channel all its sales efforts through one point. Uniform plans and policies should strengthen distributor and dealer relationships.

Unified Distribution

Although the company is still decentralized (a basic G-E theme) into three product departments, each a sizable business in itself, the company presents a unified front to its distributors and dealers. By gaining control of distribution, Hotpoint expects to achieve savings in inventories and boost sales.

To smooth the way for the change-over in dealer relations, Hotpoint a few weeks ago announced the largest advertising program in the company's history. In addition, the company will aid dealers by improving delivery, servicing, and dealer financing.

Cutting Distribution Costs

Like other makers of office equipment (which is becoming increasingly complex), the Underwood Corporation, New York ($85 million sales), has recently been caught between climbing costs and sagging sales. To find a way out of this squeeze, Underwood is building up an entire arsenal of cost-cutting and sales-spurring measures. First of all, major changes are taking place in the field sales organizations. Each of the 105 managers of the company's branch outlets across the nation is being given complete responsibility for the expense of operating his branch. This is actually a profit-sharing measure.

In addition, the branches will no longer have to maintain inventories of the company's office equipment products. Instead, five regional warehouses are being set up—in Chicago, Hartford, Birmingham, Dallas, and San Francisco.

This will mean quicker delivery and better service on the entire line and will reduce shipping costs by about 20 per cent. The company will be able to take greater advantage of carload rates, and investment in inventory will be cut by about one-third.

Underwood is boosting its spending for advertising this year by approximately 50 per cent.

And to get better sales results, the company is tightening up the qualifications for a selling job. Rigorous psychological testing is being introduced, and sales training throughout the organization is more intensive than ever before.

Selling Service

As competition becomes sharper among industrial marketers, they seek unusual means to buttress sales. For example, the DoAll Company, Des Plaines, Ill. ($12 million sales), a machine tool producer, is embarking on an expansion program that will require a hike of about 15 per cent in over-all expenditures.

First, the company analyzed the specific services it provides purchasers of its machine tools. Management discovered that they added up to seven highly salable points, which were promptly packaged into a hard-hitting sales promotion. According to the company, prospects have reacted to the program with real enthusiasm. The services include machine set-up, operator training, and so on.

At a cost of about $400,000, DoAll is setting up at its headquarters plant an elaborate exhibit, called "Machinerama Hall," of actual machines in operation as well as educational displays of the history of tools. The company expects about 10,000 people to visit the exhibit hall each year. Most of them, it hopes, will be live prospects.

Expansion Down the Line

The company is also pressing for a sales boost by opening a new company store in Houston and expanding its outlets in Los Angeles, Chicago, and Atlanta. To sustain sales during the slow period, the company is stepping up the introduction of new machines, which are promoted as cost-cutting aids.

Another company, Universal-Rundle Corporation, New Castle, Pa. ($28 million sales), a manufacturer of plumbing fixtures, is relying on three changes in its marketing program to counteract the sales slump. They are: reorganization of the sales force, a basic shift in sales promotion, and a time-payment plan to enable consumers to remodel or add a bathroom on a no-money-down basis.

In four of the company's six sales districts, new sales managers were appointed. In addition several sales managers were shifted from one sales district to another to take advantage of particular managerial skills. For example, one district manager is especially strong in administrative work. He was shifted to a district in need of such help. Another is adept at breaking in new salesmen, and he was sent to a district that is taking on new people. And to improve customer service, sales territories are being revamped.

Basic to reorganization of the sales force is the increased decision-making authority that is being given to district sales managers. For example, sales promotion personnel were recently transferred from headquarters in New Castle to the six sales district offices. Each district sales manager is to have a sales promotion manager who will report directly to him.

Emphasis on Local Promotion

By moving the sales promotion function close to the point of sales pressure, the company expects to be able to give better service to the distributors through whom its products are sold. The sales promotion managers will go from one distributor to another, developing special campaigns to help them woo their customers, who are plumbing supply dealers and contractors. This will involve distributor and dealer meetings, the preparation of special material, and coaching distributor salesmen in selling techniques.

In addition, sales promotion budgets are now being allocated to district managers so that good sales programs won't be held up, awaiting approval from the home office. The company is stressing a pinpointed promotion rather than overall national advertising.

Universal-Rundle's time-payment

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WHAT ARE YOUR COMPETITORS UP TO?

Most companies are taking special pains just now to spur sales—many even at the cost of increased spending. In a special Dun & Bradstreet survey, nearly 1,200 manufacturers and wholesalers in 38 states were asked, "Are you making a special effort this year to maintain or build your sales volume?" The companies, which are in a wide variety of lines ranging from asbestos to zinc, answered this question as follows:

	MANUFACTURERS*			WHOLESALERS†		
	Small	Medium	Large	Small	Medium	Large
Yes	136	241	39	29	188	32
No	117	181	23	30	146	30
Total	253	422	62	59	334	62

Specific sales-strengthening measures being taken by the 416 manufacturers and 249 wholesalers who answered "yes" break down like this:

	MFRS.			W'SLRS.		
	S	M	L	S	M	L
Adding new products	35	58	11	10	42	4
Increasing sales force	33	42	11	5	34	3
Increasing advertising budget	23	23	8	5	21	6
Selling more aggressively	13	38	3	5	32	4
Increasing sales promotion	11	10	2	2	9	6
Widening territory covered	10	15	2	1	5	0
Improving product design	5	14	1	Not applicable		
Increasing sales calls	2	8	0	6	5	1
Holding more sales meetings	2	1	0	0	2	0
Expanding to foreign markets	1	2	0	0	2	0
Adding branch offices	0	3	0	1	5	1
Improving service to customers	0	3	0	2	11	1
Total	135	217	38	37	168	26

Of course, this list doesn't in any sense exhaust the possibilities available to management. Companies also specify such miscellaneous measures as:

- Weeding out unaggressive agents and distributors
- Eliminating slow-moving products
- Putting out new models earlier than usual
- Better packaging
- Liberalizing credit terms
- Using truck-trailers to demonstrate products
- Increasing the use of premiums
- Keeping salesmen better informed
- Absorbing freight charges and trimming prices

*Small manufacturers, as defined here, are those with sales of less than $1 million; medium-size manufacturers have sales between $1 million and $10 million; large manufacturers are those with sales over $10 million.

†Small wholesalers are defined as those having sales under $500,000; medium-size wholesalers have sales between $500,000 and $5 million; large wholesalers are those with sales in excess of $5 million.

Industry's Leaders Look at Executive Compensation:

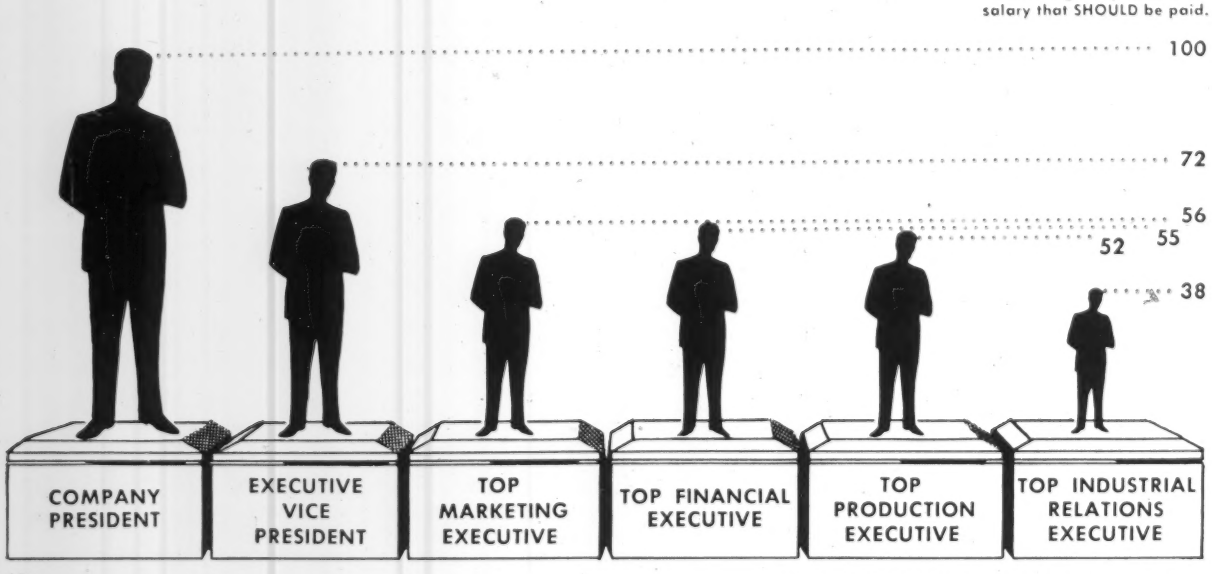
THE PRESIDENT'S PAY CHECK— AND WHERE IT GOES

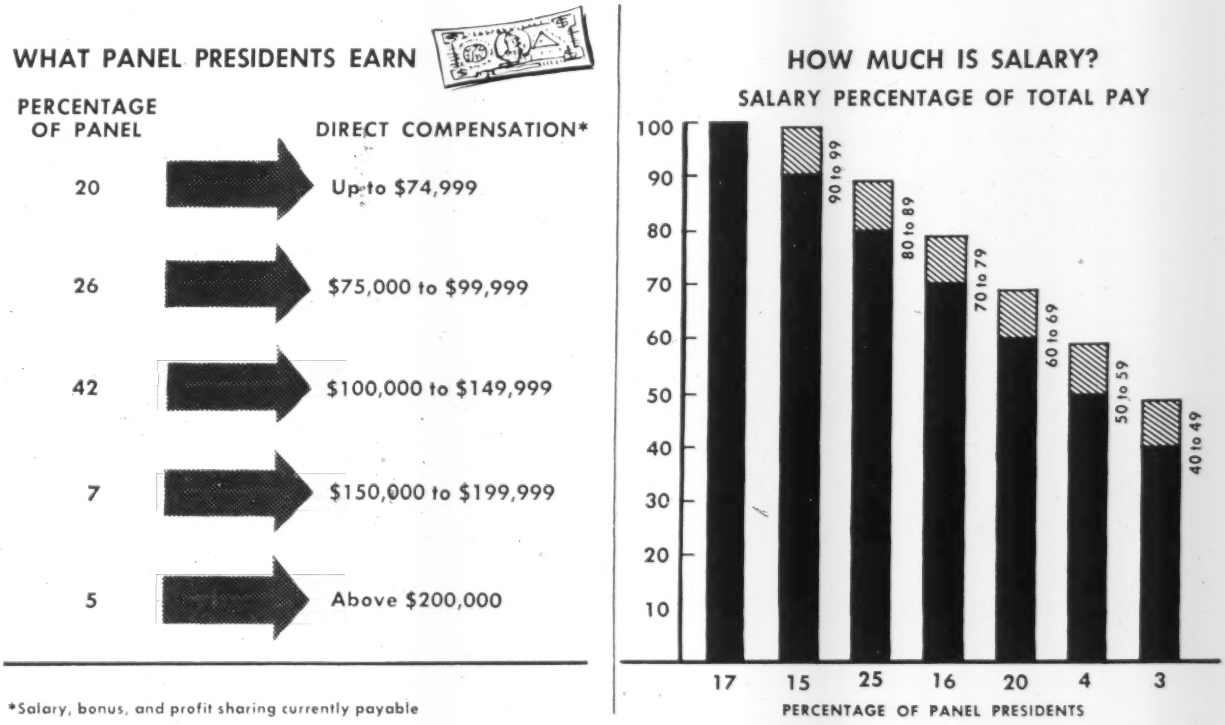
KENNETH HENRY, *Executive Methods Editor*

Here's an inside look at the company president's own finances—plus his views on executive incentives, taxes, and top-management pay levels.

HOW MUCH a company president makes is usually no secret. His pay, down to the last decimal, is often a matter of public record. The facts are available to anyone, from the biggest union leader to the smallest private investor who cares to check with the Securities and Exchange Commission. But the facts themselves have often been distorted. Interpretations are more likely to resemble the folklore about the tycoon of half a century ago than to reflect the truth about the company's highest-paid hired man today.

While no composite picture of what the top man makes—and keeps—can be wholly accurate or inclusive, it may serve to put the facts in better perspective. In direct compensation, the typical president on DR&MI's Panel receives $111,500 a year. This amount includes salary, bonus, and profit sharing currently payable. The





total is higher than Eisenhower's salary of $100,000 a year, but the fringe benefits probably don't begin to approach the extra $90,000 to which the U. S. President is entitled for travel and business expenses. Assuming that the Panel president works 50 out of the 52 weeks a year, and taking into account that he works an average of 52 hours a week (DR&MI, July 1957, page 29), his hourly rate doesn't seem so steep. For example, it's less than six times what a TV service man charges per hour for a home repair call—a rate roughly $43 an hour for the executive against the technician's $7.50. Obviously, the comparison ignores any relationship between job responsibilities, pressures, and privileges. And it also ignores the tax clip.

For this pay, the typical Panel president serves as trustee of corporate holdings averaging $136 million in tangible net worth and $246 million in assets. His company has annual sales of about $291 million, employs 15,500 people, and produces its goods in sixteen U. S. plants. Of course, while the 109 companies on the Panel are mostly industrials—including 72 of the 400 largest companies in the United States—nonmanufacturing enterprises, such as railroads, utilities, and national retail distributors, are also included. Furthermore, the averages conceal some companies with more than 100,000 employees and more than 50 plants (over 9 per cent of the Panel), as well as several companies with fewer than 1,000 employees.

Typically, the Panel president's salary runs about 80 per cent of his total compensation—or roughly $89,000 a year. The remaining one-fifth of his direct pay takes the form of bonus or profit-sharing payments. Out of this total compensation, the president has about 16 to 20 per cent left after taxes and living expenses. While in most cases he has no contract with his company, he does have a pension, life and medical insurance, and stock options more often than not. Of all his "fringe" benefits, the one he likes best is stock options, which give him a chance to profit directly from his own successful management. But he is almost equally concerned with the fringes that will protect his family in the event of his disability, retirement, or death—and protect them more substantially than he could himself after taxes have whittled away at his salary. But the stock he owns in his own company is a partial tax protection. (Every Panel member owns some shares in the company he runs, and a substantial number of presidents' portfolios consist mostly of stock in their own companies.) In a sense, the typical panelist probably feels that by owning stock in his company, he owns a share in himself, with a capital gains tax liability at a relatively comfortable 25 per cent.

The typical Panel president is well aware that even though he may be among the four in a thousand highest-paid taxpayers, he will never be a millionaire. In fact, if he saved 20 per cent of his average compensation every year—the amount he has left after taxes and expenses to invest as he likes—it would take him more than 25 years (at 4 per cent interest, compounded annually) to accumulate $1 million in hard, inflated cash.

Behind the Averages

As would be expected, the presidents' average total direct pay conceals a wide range of actual compensation. Two in ten men on the Panel receive less than $75,000 a year, including currently payable bonuses and profit sharing. About one man in ten gets somewhere between $150,000 and $299,000 a year, before Form 1040 pares this down. About

JAMES M. SKINNER, JR.
Philco Corporation

W. G. MALCOLM
American Cyanamid Co.

NEELE E. STEARNS
Crane Co.

B. E. BENSINGER
The Brunswick-Balke Collender Co.

JOHN H. HILLDRING
General Aniline & Film Corporation

CARL S. HALLAUER
Bausch & Lomb Optical Co.

RAYMOND T. HICKOK
Hickok Manufacturing Co., Inc.

JOHN H. BALLARD
Bulova Watch Co., Inc.

JOSEPH A. MARTINO
National Lead Co., Inc.

WILLIAM A. HEWITT
Deere & Co.

STEELE L. WINTERER
A. & M. Karagheusian, Inc.

ROBERT G. FAIRBURN
Diamond Gardner Co.

I. MELVILLE STEIN
Leeds & Northrup Co.

EDWARD PLAUT
Lehn & Fink Products Corporation

WALTHER H. FELDMANN
Worthington Corporation

CHARLES LUKENS HUSTON, JR.
Lukens Steel Co.

AMONG THE DR&MI PRESIDENTS' PANEL MEMBERS ARE THE PRESIDENTS WHOSE PICTURES APPEAR ON THIS PAGE.

three in ten panelists earn total direct compensation within the $75,000 to $99,000 range. The rest—about four men in ten—receive between $100,000 and $149,000 a year (see chart on page 41).

Of these presidents, four out of five have no employment contract with their companies. Among those who do, contracts run for periods of 30 days (in the case of a president now 64 years old) to twenty years (for a president now 47 years old, one of the youngest men on the Panel). But the usual contract terms reported are from three to seven years, with five years the commonest. In some cases, the contracts provide for employment of the present man as a company consultant after his retirement.

How It Breaks Down

Salary alone accounts for about 80 per cent of the typical president's direct pay, but here, too, the average evens out a variety of extremes. While about a quarter of the panelists do actually receive 80 per cent of their compensation in salary, nearly one-fifth say that salary makes up their entire compensation. This, of course, does not mean that substantial sums vested in deferred benefits or private holdings do not play an important role in what a president is worth. A fairly sizable number, about one-seventh of the group, say that salary makes up 90 per cent or more of their total compensation. Well over a third of the Panel report that salary accounts for anywhere from 60 to 79 per cent of their direct company compensation—the rest presumably is made up by such variables as profit sharing and bonuses. A few of the Panel members count on salary for slightly more or less than half of their direct pay (for details, see chart on page 41).

If he is being paid more than his predecessor—and about six in ten Panel presidents say they are—the panelist believes that the difference is primarily due to company growth and the over-all rise in executive salaries. Some men being paid higher salaries think that job enlargement and policy changes are mainly responsible. Some ascribe their higher pay to length of service or demonstrated personal ability.

According to the American Management Association's eighth (and most recent) annual survey of executive compensation, directed by Dean H. Rosensteel, top management compensation increased 5.9 per cent during 1955 (when profits rose almost 25 per cent) and 5.1 per cent last year (when profits rose 5 per cent). Presumably, the typical Panel president, in office close to seven years, has benefited moderately from such rises.

While many studies have been made to find out what most influences the size of compensation, no completely predictable pattern has yet been discovered. The most that can be said, according to some experts, is that a president is his own bargaining agent for the compensation he gets, and that the size of the company will have a good deal to do with the size of his pay. What others in the same industry pay may also set his salary range to some extent, but the kind of industry is also a factor.

Who Should Be Paid What?

Few people would dispute the policy of giving the top pay to the company's top man. It has often been pointed out that ownership and management have become separated. Yet the president, as well as other company officers, is expected to make plans, policies, and decisions for the company as if he actually did own it, to serve stockholders as a trustee, and to take payment, in several senses, as an employee who has performed a necessary professional service for the company.

Among the more important incentives in any over-all company compensation program is the chance for a man to rise from lower management positions to higher, with proportionate recognition in the pay he gets. Thus, within the corporate hierarchy, what the president is paid sets the ceiling to which all other managers' pay is related. Panel presidents were asked, "Taking your own compensation of all kinds as equal to 100 per cent, what percentage of this amount do you think executives on other levels *should* be paid?"

It is hardly surprising that what

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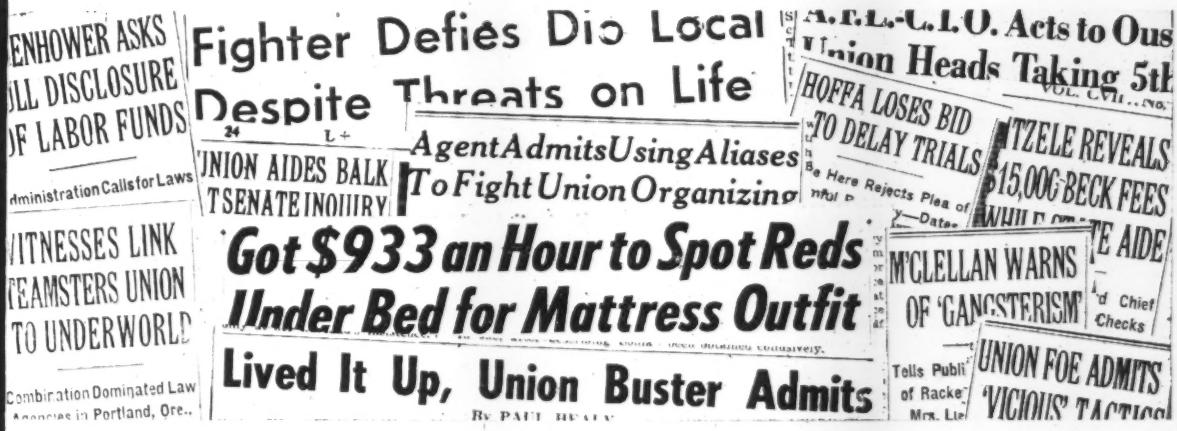

WHAT'S AHEAD IN LABOR LEGISLATION?

HORACE E. SHELDON

Despite all the excitement over the McClellan Committee revelations, we're not likely to see much positive action in Congress unless the public pushes hard for legal curbs on union racketeering and abuse of power.

A FEW WEEKS AGO, George Meany and members of the AFL-CIO Ethical Practices Committee sat down for dinner and some frank talk with Senator John McClellan and two other members of the Senate Select Committee to Investigate Improper Activities in the Labor or Management Fields. The labor leaders, it was reported in the press, made it plain that their disposition to cooperate with the Committee in its probing into the darker reaches of the labor-management scene was just about at an end.

The reason for this marked new coolness cuts right to the core of the labor issue in 1958. Meany reportedly told the Senators that the only proper purpose of their investigation is to hunt down the crooks in labor and management—not to recommend legislation on basic labor problems. The AFL-CIO has publicly acknowledged the aid the Committee has given in helping labor clean house. It has cooperated with the Committee's efforts in exposing thuggery, the looting of union funds, and the like. But in the second area, the Senate probers and labor leaders part company.

All this was publicly spelled out in a formal resolution adopted by the second biennial convention of the AFL-CIO last December. The convention complained that Senator McClellan had proposed a national "right-to-work" law and that other members had suggested that consideration be given to making the anti-trust laws applicable to the unions and to placing restrictions on the political activities of organized labor. "These proposals are unrelated to the problem of labor or management corruption but are designed to weaken responsible unions and thereby render them less capable of keeping their own house in order," the resolution stated.

Whether Congress accepts the unions' restrictive view of the McClellan committee's function in the labor area, or takes the view that "improper activities" goes far beyond racketeering and excessive dipping into the union till, will determine what kind of labor legislation we get in 1958.

One thing is certain: Organized labor will fight with every resource any move that might restrict its use of strong-arm organizing and bargaining tactics.

Patterns of Resistance

The unions' efforts to steer the McClellan Committee away from questions of fundamental labor relations policy are especially revealing when viewed in the light of the stalemate that has prevailed in Washington on labor legislation for the past ten years. The Taft-Hartley Act had scarcely begun to roll off the presses at the Government Printing Office when labor launched its drive to repeal the "slave labor" law. Later on, when it had become clear that the close balance of forces on the issue

would prevent any such action, wholesale revision became the objective, and the unions vigorously pressed for amendments to water down the clauses they found most offensive.

Business men, after first swinging to the defense of the Act, began complaining that Messrs. Taft and Hartley had not gone far enough in revamping the Wagner Act. Feeling that many of the supposed management safeguards in the law were being vitiated by National Labor Relations Board and court rulings, employers moved in with their own proposals for closing loopholes in the secondary boycott prohibition, strengthening the employer free speech guarantee, and curbing coercive organizational picketing, among other things. But some management men counseled, "Better leave well enough alone." They were afraid that if Taft-Hartley were reopened, the net result would be to tone it down in the unions' favor rather than strengthen it in line with employer thinking.

This apprehension was hardly eased by President Eisenhower's fourteen recommendations to Congress in 1954, which, in the opinion of many business men, contained too little of solid merit and much that was bad and ignored some of the more pressing issues. Employers and the unions pleaded their respective cases vigorously—and the lawmakers, discerning no decisive weight of public sentiment on either side, didn't budge. So the standoff persisted through 1957.

The Dave Beck Spectacular

Now the McClellan investigation has supplied the impetus to move Congress off dead center. It has brought the stark reality of labor racketeering into the American living room by television, radio and newspaper. The single most significant labor event since Taft-Hartley was passed in 1947 undoubtedly was the spectacle of Dave Beck monotonously pleading the Fifth Amendment scores of times in full view of the whole country.

The impact on the public mind is undeniable. The American people cannot view with equanimity a parade of avaricious union bosses who regard their positions as open doors to lavish self-aggrandizement rather

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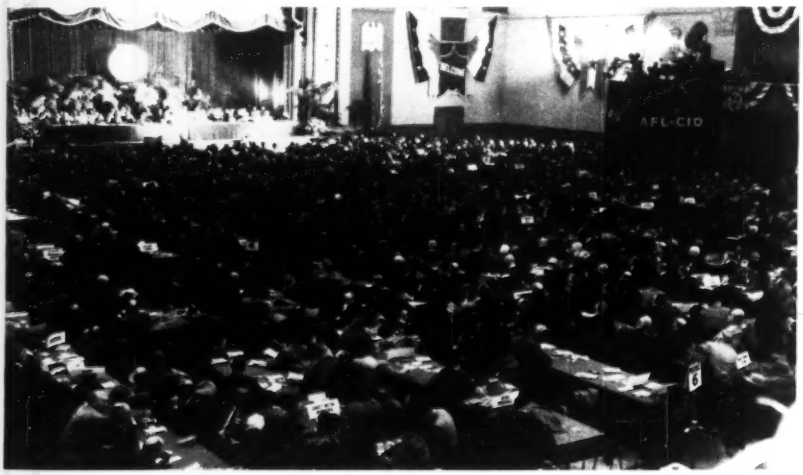
TWILIGHT OF DAVE BECK: Sitting by his lawyer, the soon-to-be-deposed chief of the Teamsters Union waits his turn to testify at a hearing of the Senate McClellan Committee investigating labor-management activities. On the stand, Beck repeatedly "took the Fifth."

IN THE THROES: The Teamsters whoop it up on the floor of their convention, held last October in Miami Beach. Choosing to ignore strong pressure from the AFL-CIO, they voted in the controversial James R. Hoffa to succeed Dave Beck. A dissident minority was squelched.



THE GAVEL FALLS: The AFL-CIO voted to throw out the racket-ridden Teamsters at their Atlantic City, N.J., convention (above) last December. James R. Hoffa, the main target of charges that the Teamster leadership was riddled with corruption, scoffed at the ouster.

HOW TODAY'S TRADE ASSOCIATIONS AID INDUSTRY

ALFRED G. LARKE, *Employer Relations Editor*

Bigger, better, and more numerous—that's the forecast for the trade groups. Increasingly, members are depending on them for many functions that couldn't be handled so inexpensively—if at all—on an individual company basis.

BE IT EVER so humble, there's nothing quite like the American trade association. And some of them do appear pretty humble in terms of staff (often part-time), budget, and membership. But whether a trade organization covers a group of farm equipment retailers or an industry with annual sales in the billions, the services it renders are vital to members—so much so that the trade association seems to be becoming almost like another staff operation of each member-enterprise. One big association, for instance, is reported to have saved a member company about $200,000 last year just by relieving the company of answering requests for information from the public. (A Department of Commerce forecast of trade association activities puts this function at the top of the list.)

Other benefits obtained from associations by small and medium-size businesses were set forth in abundance recently at the President's Conference on Technical and Distribution Research for the Benefit of Small Business.

In the case of a retail farm equipment concern in Paragould, Ark., its president, Earl E. Kirk, declared flatly, "I sincerely believe that the success of every phase of my present day business is directly traceable to the services that became available to me when I became an association member." His group, the National Retail Farm Equipment Association, had given him advice on such matters as accounting, service shop operation, sales promotion and advertising, business management, and building plans.

Coming cold into what was, for him, an entirely new field, he moved the location of his business on the basis of studies reported in an early association bulletin. He also attended the association's business management courses and installed a profit-control system which helps him forecast his own business and trim expenses *before* suffering losses instead of afterward. He upped sales of used equipment through a guarantee system recommended by the association. In addition, he has been able to draw up advertising schedules, control inventories, plan demonstrations, conduct sales meetings, and set effective sales quotas, all with the help and advice of the national association and its affiliate, the Mid-South Farm Equipment Association.

To serve its members effectively, an association does not need a large membership, or an elaborate staff, nor does it have to engage in a great number of activities. The National Association of Blueprint & Diazotype Coaters, for instance, with a membership of 30 companies out of a possible 45, has a Washington staff of two—Preston B. Bergin, executive secretary, and his secretary. Yet, in the past year, it has proposed and had accepted standards for the industry's products. It has studied freight rates and acted upon the study—to the end that the industry, it estimates, will save one half to three quarters of a million dollars a year. This year it expects to make available a "sensitometer," which will permit users of all papers to obtain uniform results in their reproductions of originals. Its budget? About $50,000 annually.

Perhaps some of its larger members could accomplish these results on their own. But it is certain that, with each member-company acting for itself, the industry could not have carried out these tasks so inexpensively.

An impressive feature of today's trade associations is the extent of their coverage of all trades and in-

dustries and the variety of their activities. They're a peculiarly American institution because of the means they provide for direct competitors to cooperate. The trade groups have worked out ingenious methods for pooling information about members' operations—without betraying data that might give one enterprise a competitive advantage over another. This exchange is a constant source of

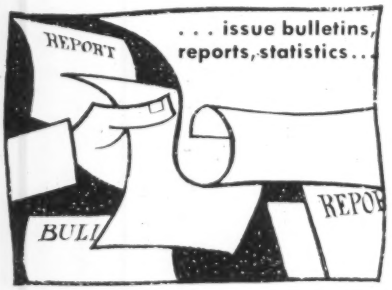
ideas and information for the nation's business management.

The trade associations, however, share credit for developing this exchange with other typically American institutions like the American Management Association and the National Industrial Conference Board. But there are two major differences between the trade groups and the more inclusive organizations:

1. The trade associations are, by and large, composed of companies in the same line, and hence probably competitive. Their activities are therefore more narrowly focused on one trade's (or industry's) problems and are likely to be of more immediate value to a concern that's just getting used to the idea of cooperating outside its own corporate structure.

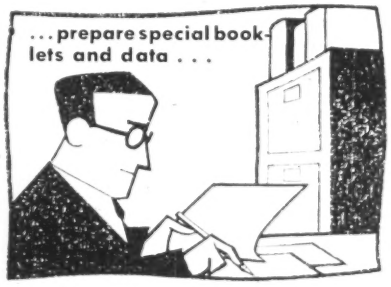
2. The trade associations almost invariably play the role of spokesmen for their groups—a part eschewed by AMA, NICB, and some other broad-gage associations. This role is made possible, of course, by a greater similarity of interests among members of the narrower groups. They may be spokesmen to customer industries, the consuming public, legislative and other governmental bodies, and even other trade and industry associations. There are, of course, broad, general organizations that are active in the spokesman role—the U.S. Chamber of Commerce and the National Association of Manufacturers, to name two—but what their diverse memberships can agree upon is still limited. There's plenty of room left for the trade associations to operate. In fact, many of them are members of the C of C or affiliates of the NAM.

Although comparatively few early trade associations were organized primarily to divide up markets and throttle competition, some groups that tried it got cracked down by adverse court decisions under anti-monopoly laws. As a result, there is little temptation today for American associations to go in for this kind of program. Trade groups in other



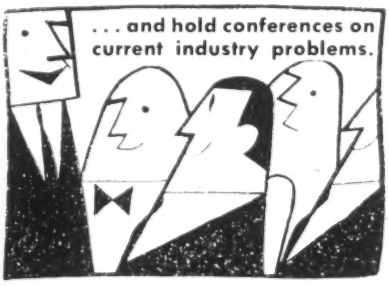
countries have continued to combine in restraint of trade—indeed, they have sometimes been encouraged in this by their governments. But associations in this country have a head start in the kind of cooperation that has greatly benefited their members and even their members' customers and the general public. Examples are: product, performance, rating, and testing standardization; uniformity of labeling; safety standards; and management improvement aids for smaller members.

More tempting to American trade associations than schemes to draw the teeth of competition are the advantages of lobbying (smile when you say that, pardner), amply supported by the Constitutional privilege of petition, stated in the First Amendment. But soundly established associations perform so many other valuable services that their members now seldom permit them to go overboard in Washington or the state capitals. Occasionally, an association is lured into indiscretions. It may



even draw down a Presidential rebuke, as the natural gas producers did in 1956. But from the members' point of view, the possible gain from all-out lobbying is not worth the risk of bad public relations. And association executives fear the loss of members or potential members as a result of harmful publicity.

Broad business problems, on which most business men agree, are usually left to organizations like the NAM, the U.S. Chamber of Commerce, and federations of trade associations. If a tough and more specific lobbying job seems demanded, however, a one-purpose committee is likely to be set up to conduct it. In fact, consigning lobbying to special committees is now almost standard operating procedure. If the reaction is bad, the committee can be abandoned, with less damage done to the other posi-



tive services that a standard trade association performs.

In fact, it is doubtful whether you would find "lobbying" listed as an activity of any trade association. It's a bad word now, and when the subject *is* mentioned, it is called "legislative representation." See any trade association statement of objectives. Or, even more likely, it may go un-

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Hurtling through space at 1,500 mph, this bomber is largely held together with adhesives.

ADHESIVES PAVE WAY TO NEW MARKETS

MELVIN MANDELL, *Industrial Editor*

FOR GENERATIONS manufacturers have relied on glues to hold together the wooden parts of their products. But in the past ten years, industry has been enthusiastically turning to the new high-strength adhesives for fabricating aircraft, giant commercial trailers, curtain walls for towering skyscrapers, and large metal parts for diesel locomotives. In fact, a growing list of goods is benefiting from the low cost and light weight of adhesive fastening.

Many new "wonder" adhesives are being used to improve present products and speed up present production methods. But the most exciting aspect of the adhesives boom is the new product lines that have come about simply because manufacturers have mastered the art of sticking things together.

Here are some recent highlights of adhesive technology:

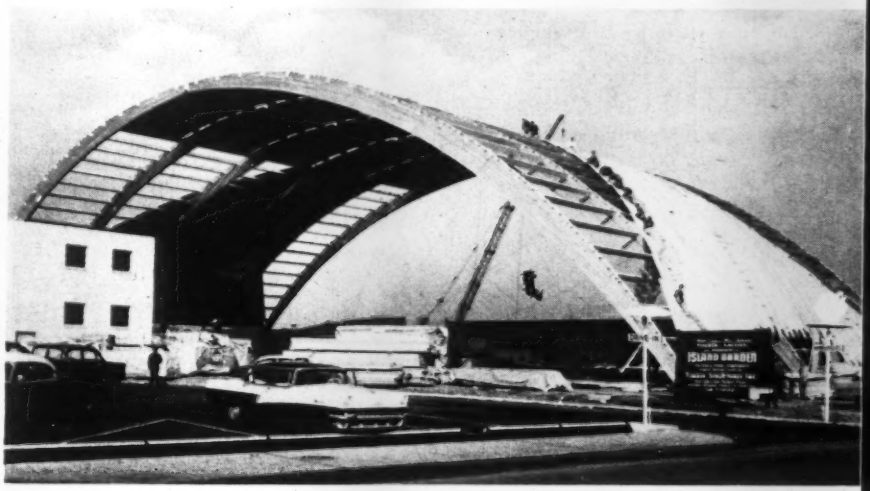
• The amazing new B-58 *Hustler* (above) could not have been created without adhesives. Over 800 pounds of adhesives are used to pick up 2,300 pounds of payload in the bomber that will be America's first line of aerial offense until the ballistic missiles are operational. Convair's new 880 jet airliner will also depend on adhesive bonding.

• The Navy's newest minesweeper, the U. S. S. *Bittern*, is made of red oak laminated with a water-resistant synthetic adhesive. Wood was specified to make the ship nonmagnetic.

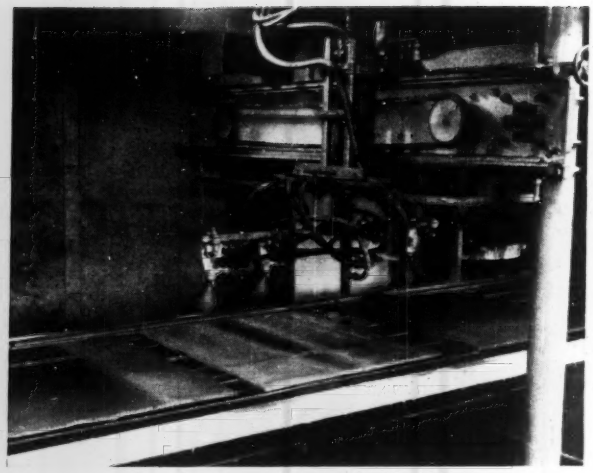
• The tile industry is booming because new rubber-based adhesives have made the installation of tiled bathrooms fast and inexpensive. Even the cheapest, mass-produced houses can now be equipped with this former luxury.

• Parquet flooring now comes in prefab sections rather than in small pieces and hence can be laid more rapidly and cheaply than in the past. The sections are made up of pieces of wood joined together in the familiar squares by adhesives.

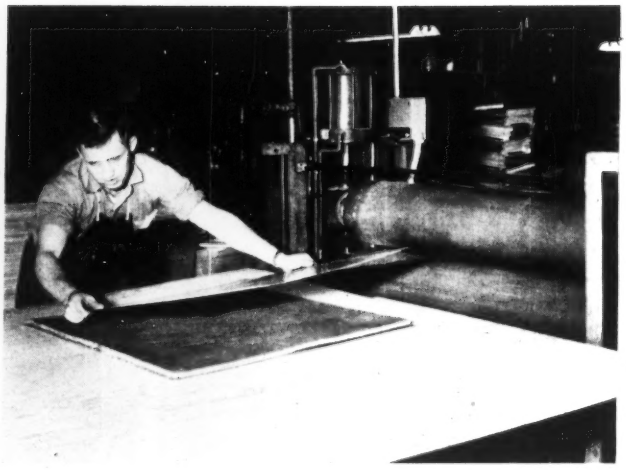
• Adhesive backings have made



CONSTRUCTION: The ribs, columns, and arched beams of this arena, built by Timber Structures, Inc., are made of wood laminated with adhesives. More fire-resistant than steel, these parts will retain their strength, despite charring, at higher temperatures than steel.



AUTOMATIC DISPENSING: Solvent-release adhesive is automatically sprayed on these honeycomb cores as they pass by on a moving belt. Adhesives can be applied by brush, palette knife, or spray gun, but automatic dispensing machines are favored for mass production.



ASSEMBLING: The face panels are carefully laid on the core. A variety of materials—plastics, wood, insulation board, steel, aluminum, and glass—can be bonded to the core for various military and commercial applications. The core can be purchased separately.

wallpaper and floor coverings important "do-it-yourself" consumer products.

- Prefabricated insulated building panels with finished surfaces bonded to a sandwich core of foam plastic or honeycomb speed up office building and house construction.
- The printed circuits used by the electronics industry depend on adhesives to bond conductive copper to an insulated base material.
- Unusual fabrics are woven with *Mylar* yarn to which a metallic coating has been glued.
- Bolts of cloth can be backed with metallized Mylar for use in shoes, upholstery, and other products that must wear well.
- Chemical laboratories can set up pilot plants in jig time by connecting corrosion-resistant plastic piping with adhesives. Much cheaper to install than metal plumbing, plastic piping will soon be used in houses.
- Printing costs are lowered by new methods of bonding plastic and metal engravings to their mounting blocks – replacing mechanical methods.

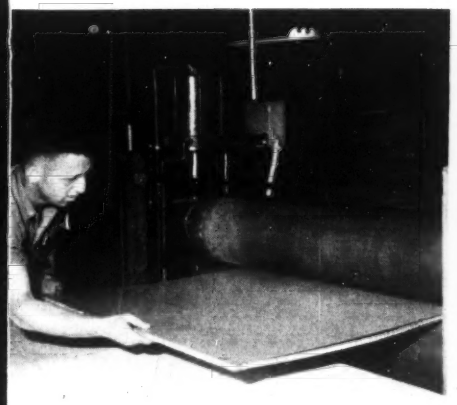
Although the amount of adhesives employed in any one automobile is not great (Ford uses only about 4.5 pounds and Chrysler about 10 pounds in each car, to attach accessories and lightweight parts and to bond brake linings and clutch plates), the industry is one of the major consumers from the point of view of sheer volume. At least one of the Big Three is now investigating adhesives for attaching major metal structures. If plastics ever replace steel for car bodies, adhesives will naturally become the major joining medium. When the auto industry adopts structural adhesives in a big way, as some European car makers have done, it will turn the present boom in adhesives into something more like an explosion. Traditionally, many other mass-production manufacturers follow Detroit's lead to new production techniques.

Industry's high interest in new adhesives is indicated by the reaction to Eastman Chemical Products' announcement that one of its researchers had accidentally discovered a new high-strength adhesive with a particularly fast set-time. Within a

HOW TO BUY THE RIGHT ADHESIVE

Before an adhesives formulator can judge what kind of adhesive is best for the job you want done, he will need to have answers to most of these questions.

1. What are the materials to be joined? (Be prepared to furnish samples.)
2. What is the character of the surfaces to be joined? Rough, smooth, porous, impermeable?
3. What equipment is available to clean or treat surfaces before joining?
4. Can present materials suppliers prepare surfaces to specification?
5. What is the end use of the assembly? To what mechanical stress and vibration will it be subjected? To what temperature extremes? To what solvents will it be exposed—water, moisture, oils, acids, alkalis?
6. How are adhesives to be applied?
7. What fabrication machinery is available to apply heat or pressure? How big is it and what is its capacity?
8. What is the maximum time available for drying?
9. How much will be gained by quick drying?
10. Would fast setting, followed by a longer aging period to achieve full strength, be of value?
11. What's wrong with the present method of joining?
12. Is there any field servicing problem in repairing adhesive joints?
13. What shelf life is necessary for adhesives?
14. What are Government specifications or test procedures, if any?
15. How long does the joint have to last?
16. What pot life is desired? What is the minimum permissible pot life?
17. What temperature can the assembly tolerate in fabrication?
18. Does the joint have any dovetailing, doweling, or other mechanical features?
19. Are the adhesives to be used to supplement a mechanical or fusion joint?



TREATING: After assembly, the core and face panels are stuck together in these heated nip rollers. This photograph as well as the two photographs at the left, courtesy of the Rubber & Asbestos Corporation, were taken at Skydyne, Inc., in Port Jervis, N. Y.

few months, Eastman sold more than 2,700 one-ounce samples at $5 each.

One reason for the pace of adhesive development is that most of the organic materials used in the synthetic adhesives have many other applications. Epoxy resins, for example, are mixed with metal particles to fill cracks in heavy metal parts and auto fenders. They also make excellent finishes and potting compounds for electronic parts. Trying to learn more about the properties of these resins, chemists uncover new ways to use them as adhesives.

Why are so many manufacturers turning to adhesives? A DR&MI survey of dozens of industries turned up the following answers:

- Adhesives eliminate a prior drilling operation for rivet, bolt, or screw holes. As a result, production costs are cut, a smooth surface is produced, and appearance is improved. Strength is increased, because the load is distributed evenly over the joint, a factor that also eliminates stress concentration.
- Increased use of plastics with metals makes adhesives practically mandatory. For example, a salt processor turned to *Teflon*-lined chutes because one stainless steel chute after another wore out under the abrading action of salt particles. The waxy Teflon plastic can only be held to its metal base by adhesives. Mechanical fasteners won't work well with plastics, which tend to creep or deform. However, plastics can be joined by methods other than bonding. Examples are spin welding, solvent cementing, and hot gas welding.
- Less skilled or even unskilled labor can be employed.
- Adhesives permit greater intricacy of design. Some parts can be fastened in complex assemblies only with adhesives.
- In some cases, joining can't be done except with adhesives (for instance, when there's not enough room to maneuver a riveting gun or screwdriver, or when the materials are too thin for any other method).
- Adhesives save weight. Pound for pound, "honeycomb" panels are the strongest load-bearing structures.
- Adhesives can do double duty—as sealants and for dampening vibration. The adhesives that hold aircraft wings together also seal them tightly enough to hold gasoline.
- They avoid product damage—to magnets, for example—by eliminating the high heat characteristic of brazing, soldering, or welding. (Although many adhesives require moderate heat to set, cold-setting formulations are available.)
- Substantially less after-finishing (flux removal) is needed.

Look Before You Leap

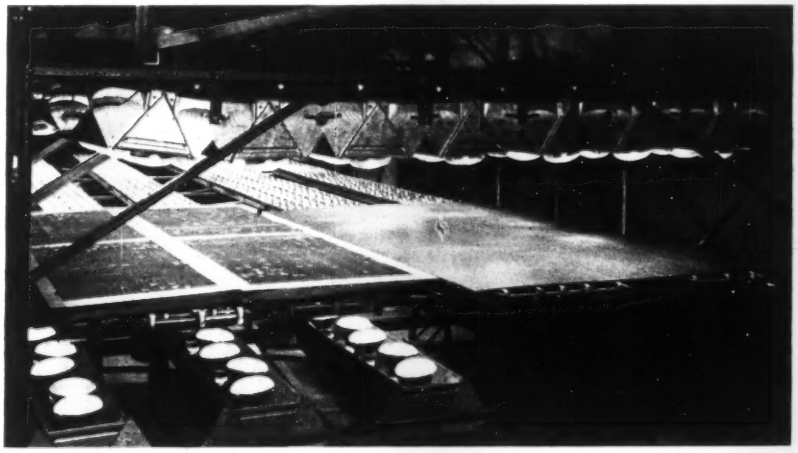
Each kind of synthetic adhesive has special characteristics which must be catered to. You can't switch from some other fastening method to adhesives or from one adhesive to another, apparently better, adhesive without considering how conditions may affect the new adhesive. When the nation's furniture makers shifted from messy animal glues to synthetics about ten years ago, they were able to speed up production by eliminating clamping, which calls for a lot of "in-process" storage space. But soon, from the more humid parts of the country, came reports of new furniture falling apart at the joints. A quick change in the adhesive formulation was necessary to make it more resistant to moisture.

Some manufacturers have even run into labor trouble when they changed adhesives. Their workers were used to the smell of the old adhesive and objected when the new one was introduced. The new odor wasn't more intense; it was just different.

Manufacturers have also encountered difficulty with adhesives because of climatic variations. Adhesives that cure by evaporation of a solvent dry more slowly on humid Summer days. The answer is to use variations of the formulation in Summer and Winter.

Adhesive joints are still a long way from offering the strength of welding, soldering, or brazing, especially at elevated temperatures, but where that greater holding power is not required, adhesives can often do the job.

Adhesives are chosen pretty much on a trial-and-error basis. It's best to find a few adhesive suppliers who have handled problems similar to yours and ask them to come up with solutions. Usually each supplier will



SOLVENT REMOVAL: Another manufacturing technique with solvent-removal adhesives is to dry the applied adhesive on the core and face panels in an infrared oven, then assemble the parts and reactivate the adhesive by running the assembly through a conveyerized oven again. The adhesive is one that is formulated by Minnesota Mining & Manufacturing.

offer a few samples, detailing different approaches to the fastening problem. You just follow directions and make up sample joints to test as best you can.

Although the American Society for Testing Materials has prepared an exhaustive 200-page book on adhesive-test standards, few manufacturers have either the expensive test machines or the test know-how. If it is worth the bother and expense, you can go to one of the numerous research labs that are equipped with the various machines for testing adhesive joints in compression, tension, and sheer or by peeling. Charges run as low as $25 per sample.

Know Your Needs

In setting forth their requirements for adhesives, many manufacturers vaguely and arbitrarily ask for "the strongest adhesive available." In many instances, they pay for more sticking power than they will ever need, according to Bernard Gould of Rubber & Asbestos Corp., Bloomfield, N.J. If the materials to be fastened can stand only 1,000 psi, why pay for an expensive adhesive that makes joints to withstand 3,000 psi? If the product is only briefly subjected to high temperatures, don't pay five times as much for an adhesive that can hold parts together at continuous high temperatures.

In general, each of the major suppliers makes only one class of fabrication adhesives (there are thousands of formulations in each class). Few companies supply all types. To help you in your dealings with adhesive suppliers, see the checklist (page 49) of questions that you should be able to answer if your adhesive supplier is to come up with the best preparation for your purposes. Fortunately, this highly competitive industry is known for the technical service it provides, although, of course, it's reasonable to expect a supplier to recommend an adhesive he can formulate.

The "Pot-Life" Problem

One of the most exciting developments in the field of synthetics is the use of epoxy resins in adhesives. Easily and uniformly applied, epoxies cure to a dimensionally stable, moistureproof state. And they cure so hard that epoxies can also be used to make stamping dies for thin-gage steel. If there are no solvents in the formulation, an epoxy adhesive cures to the same thickness as applied. This means that they can be used to fasten parts of precision assemblies.

Although some of the synthetics have a limited (but reasonable) shelf life, there is no shelf-life problem at all with epoxies. They don't start to harden until a catalyst or hardener has been added. The hardening process may take seconds or hours, depending on the catalyst employed.

However, this control of curing time has its dark side. In general, if you want fast curing, you have to put up with a short pot life—that is, a fresh batch has to be mixed every fifteen to twenty minutes. If a long pot life is essential, you have to contend with long cure times or use heat to speed curing (see photo on page 52). In epoxies, you can't rob Peter and pay Paul.

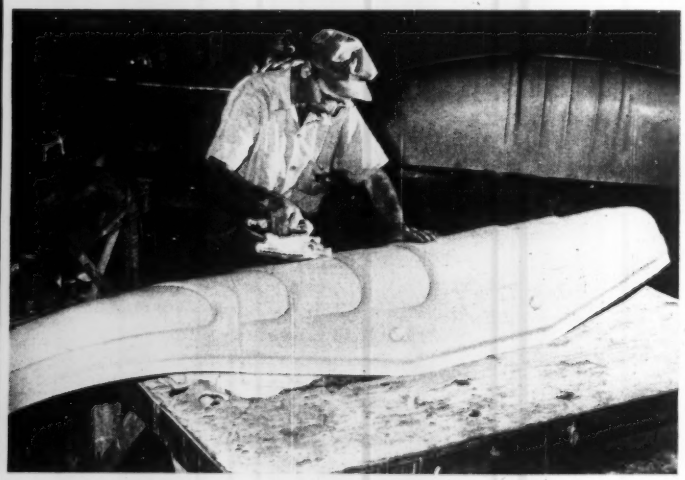
NUTS AND BOLTS MOVE WITH THE TIMES

Adhesives are not the only advance in fastening. A great variety of new mechanical fasteners are also coming on the market. Fusion techniques—welding, brazing, soldering—are also improving.

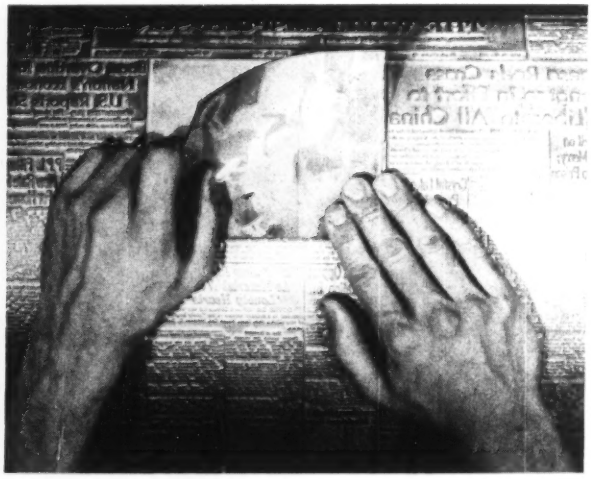
In heavy construction, the high-strength bolt has virtually replaced riveting in field assembly, although subassemblies are still put together in the factory by riveting. High-strength bolts require less labor, speed construction, and can be put into place without the noise of riveting.

"Blind" rivets—they can be set in place without the need for a second man to back them up from the inside—are coming to the fore. Explosive techniques are being used to insert rivets and other fasteners.

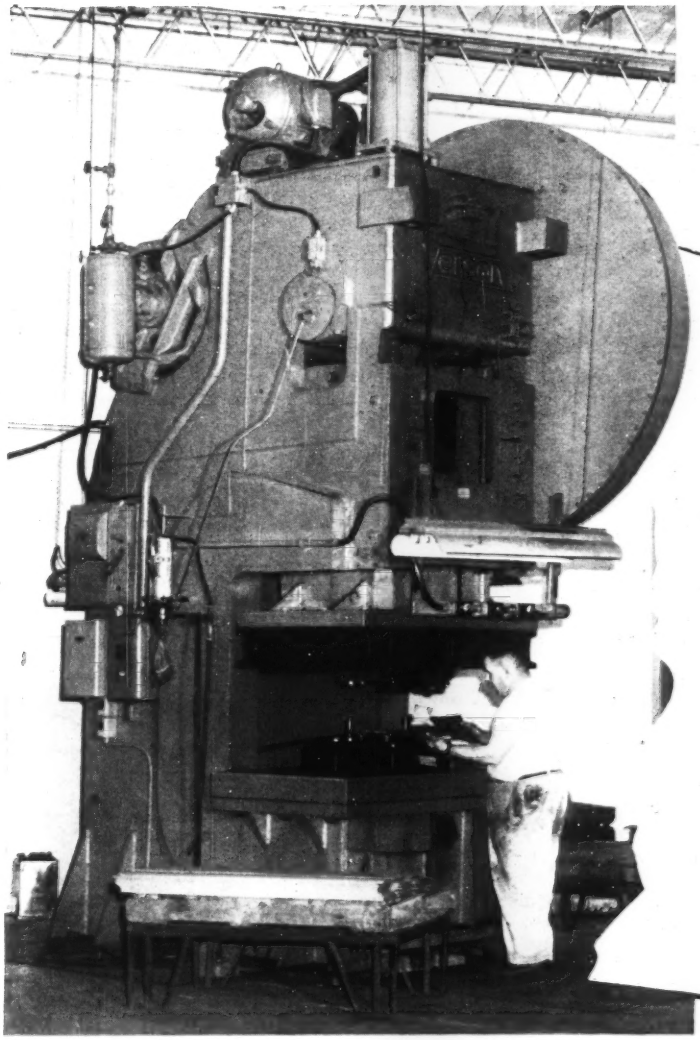
In woodworking, screws that drill their own holes are another labor-saving advance. In short, there's still a lot of money to be saved by keeping up with the latest developments in the nuts-and-bolts department.



NOSE GUARD: Here, a worker is finishing a plastic "nose cap" for a Trailmobile trailer. Sturdy, lightweight honeycomb and reinforced plastic sections, made by Universal Moulded Products, Bristol, Va., are replacing heavier, yet less rigid, stainless steel noses.



FILM ADHESIVES: Attaching *Scanograver* plastic or metal engraving plates to a newspaper printing form was one of the first applications of film adhesives. Their use should step up fabrication and also catalyst toxicity, vapor removal, and priming problems.



A Verson Press user reports on versatility:

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John Blue Company, Inc.

We at Verson often talk of the versatility of our presses and the advantages they offer anyone engaged in the press forming of metals. This is more than just talk . . . it is an established fact, attested to by a host of satisfied customers.

The above excerpt is from a letter recently received from Mr. W. D. Tucker, General Manager of John Blue Company, Inc., Huntsville, Alabama, a leading manufacturer of farm equipment. Mr. Tucker goes on to say that since the Verson Gap Press is the largest in the plant, it is put into service on practically every application including drawing and forming steel shapes, multiple forming, punching and shearing operations.

The machine is a Verson 10-F Gap Press of 250 ton capacity. It has a 10" stroke with a 5" power adjustment and operates at 30 strokes per minute. Area of the flanged slide is 34" x 52" . . . the area of the bolster, 36" x 62". The press requires floor space of 135" x 73", is 186" high and weighs approximately 64,000 pounds.

If you'd like further proof of Verson versatility, talk to other Verson Press users. You'll come away realizing that here is more than just a press . . . here is a production process, engineered and built to provide greater efficiency and production . . . higher profit potential. Put Verson's know-how to work for you. Send an outline of your needs.

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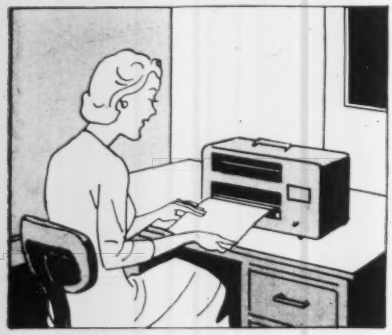

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One solution to the tug-of-war between pot life and cure time is to use an application device that mixes the adhesive and the catalyst at the moment of application. Several companies have developed guns for this purpose, but they lack flexibility. They can only be set for one proportion of adhesive to catalyst. Changing the formulation calls for a different gun. The development of an easily adjustable application gun to take different epoxy formulations would be a considerable advance in adhesives technology.

There are some "one-part" epoxy adhesives available that have the catalyst already included. This means a long pot life. But since the built-in catalyst does not take effect until the adhesive is heated, expensive, space-consuming heating facilities are called for.

Epoxies have one other disadvantage. Although the adhesives are safe enough to swallow once they have hardened, the catalysts are mildly toxic. This means that workers applying epoxy adhesives generally have to wear gloves or use protective hand lotions. They must also be trained not to rub their eyes with their fingers.

High-Strength Structures

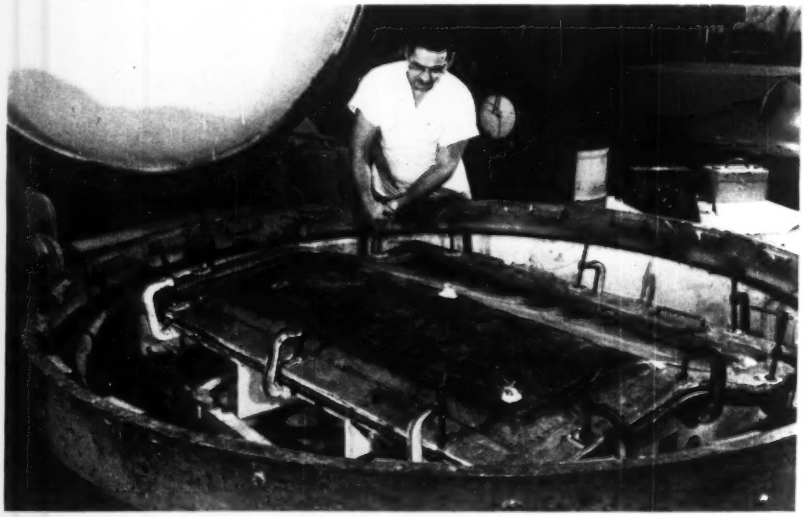
Adhesives are contributing to one of the important advances in the design of structures, the dimensionally stable "honeycomb" sandwich. Everyone is familiar with the corrugated box. By corrugating a sheet of paper and gluing face panels to it, a very strong, stiff, lightweight section results. Under the demands of supersonic flight, the aircraft industry has turned to sandwich with honeycomb, corrugated, or waffle cores. At first the cores and face panels were made of aluminum bonded with adhesives, but as higher speeds have caused frictional heating beyond the strength limits of aluminum, the industry has turned to stainless steel and titanium sandwich, fabricated by brazing.

But the costs of brazed honeycomb are high (up to $300 a square foot), and the rejection rates are sometimes staggering. Although brazing techniques for making sandwich are improving, the aircraft and missile manufacturers are hoping to find the eventual mass-production solution in an adhesive that retains its full strength at over 500° F continuously. (Adhesives that briefly withstand 700° F are already available, and new inorganic adhesives that can function at 1,000° F are under development.)

How to Make a Sandwich

For the great majority of civilian applications, however, adhesive bonding of sandwich is completely satisfactory. To a greater extent than metal cores, paper and plastic cores are employed in commercial applications, with pressed board, wood, plastic, aluminum, stainless steel, and even glass face panels.

Products fabricated with sandwich include trailer and truck bodies; office partitions; factory, garage, and office



PRESSURE COOKING: To obtain maximum strength, certain epoxy adhesives, like the Bondmaster paste used to fabricate the honeycomb panels for North American's F-100 *Super Sabre*, must be cured under heat and pressure, applied here through a glass-cloth blanket.

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doors; desk and table tops; boat decks; interior and curtain walls; transit cases; skylights; and refrigerators.

Most honeycomb is made in panels, valued for their flatness under load, but curved, contoured, tapered, and even more complicated structures are being produced. Since most of the coring used in commercial sandwich panels is supplied by companies that specialize in this product, it is very easy to get into the sandwich business—just buy the cores and add any sort of face panel you desire.

Expert knowledge in construction of sandwich structures with adhesives can be profitably extended to product lines that may be new to a company's operations. Where the costs of assembly can be significantly reduced with adhesives, or unusual new designs ventured, opportunities for diversification are present. Many companies that were mainly in military work have used their knowledge of honeycomb and other sandwich construction to move into civilian lines, particularly truck and trailer bodies. Lighter weight is especially valuable in long-distance trucks subject to state-enforced weight limitations, but in any product with a low cost-to-weight ratio it is desirable for cutting shipping and handling costs.

Another example of a new product made practicable by the development of better adhesives is vinyl-coated sheet steel, which can be deep-drawn into various shapes without losing its coating.

In compact, expensive products like electronic and scientific instruments, manufacturers look to adhesives to improve present products rather than to launch new ones. Here, structural strength problems are minor. However, if these instruments are destined for use in either military or civilian aircraft, every trick to reduce weight is important.

How the Future Looks

Making the very reasonable assumption that the use of adhesives in fabrication will continue to increase at the same rate as in the past decade, prices of synthetics—which run as high as $75 a gallon—should continue to drop as adhesives formulators begin to feel more of the benefits of mass sales and production.

Problems of toxicity and skin irritation should diminish or disappear altogether as new materials are devel-

BREAKING UP THE JOINT: A new tile bonding agent is under sheer test at the Tile Council of America's lab in Trenton, N.J.

oped (General Mills has already introduced a new nontoxic hardener for epoxy adhesives).

As product designers become more aware of the variety and capabilities of adhesives, they will design their creations expressly for adhesive fastening rather than attempt to adapt adhesives to existing products.

Fabrication methods should become less expensive, faster, and more mechanized. The new film adhesives are particularly well suited to automatic operations. Applied continuously off paper-backed rolls, they are one solution to the problem of short pot life. And they insure a uniform thickness of adhesive.

Another answer to the pot-life problem may lie in some epoxy-dispensing machines now under development. Originally designed to add the hardening catalyst to epoxy potting compounds just as they are poured into electronic assemblies, the machines should enable many mass-production plants that lack heat-curing facilities to use the fast-curing (but short pot-life) epoxies. However, these machines will cost from $3,000 to $15,000 apiece.

Production people, especially in the metal-working industry, will learn more about using adhesives to produce good joints. Many manufacturers still complain that adhesives

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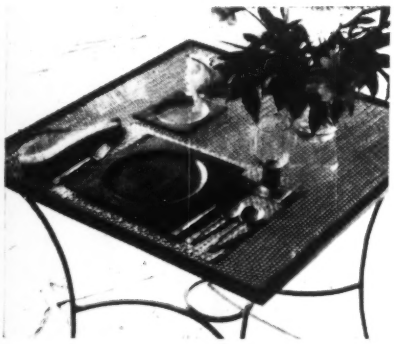

LIGHTWEIGHT FURNITURE: Strength and lightness are gained in tables and other furniture by using honeycomb panels. This glass on aluminum core top was fabricated by Winner Manufacturing Co., Trenton, N.J.

do not produce connections of uniform strength. The adhesive formulators answer that customers don't clean the surfaces to be joined as uniformly and carefully as they should. (Clean interfaces are essential for good adhesive joints—even more than for good soldered and brazed connections.) Metal-working plants are the biggest offenders. They sometimes forget that adhesives can't stick to metals covered with oily films left by machining operations.

To keep up with the ever greater speed of assembling machinery, adhesive-dispensing equipment will be developed to apply new types of adhesives even faster.

With the Wright Air Development Center and other military groups now supporting so much research into the fundamentals of adhesion and with the National Science Foundation paying for advanced work at the Adhesives Research Laboratory of the Massachusetts Institute of Technology, it is certain that new ways of preparing surfaces for use with entirely new adhesives (inorganics, in particular) will be developed. Perhaps they will not be plagued by present limitations like low strength at high temperature, short pot life, toxicity, or smells.

We are still a long way off from skyscrapers, ocean liners, and giant cantilever bridges fabricated with adhesives. But don't be too surprised if the steel structures of 1978 are glued together. Meanwhile, no manufacturer should neglect to consider using adhesives to improve present products, counteract rising production costs, or crack new, expanding markets. END

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Look before you leap

AUTOMATION AND MANAGEMENT *by James R. Bright. Division of Research, Graduate School of Business Administration, Harvard University, Boston 63, 270 pages, $10.*

This book is based on research in thirteen companies that have already automated. It is probably the first detailed evaluation of the practical effects on various phases of management.

Since there is actually no generally accepted definition of "automation," the author has used the term in its popular sense to mean the installation of substantially automatic production operations. The plants studied range from a mattress company, in which the main change has been the introduction of a continuous chain conveyer system, to an almost completely pushbutton feed mill that produces 100 tons per eight-hour shift with a workforce composed of one man, a foreman, and a truck driver who provides occasional help in the plant.

By and large, automation has been anywhere from modestly to extremely successful. Only one company of those examined has given it up—and that because of special circumstances. But undoubtedly the thirteen companies would have had fewer unpleasant surprises if they had had the benefit of the hindsight this book provides.

Take, for example, the effect on the sales department. As one vice president of manufacturing exclaimed, "The sales department doesn't know what is about to hit them. Every week there are 3,000 more of these things that *have* to be sold. We must keep this plant going at capacity at least five years to get our money back. The sales boys are the ones who are going to feel the difference!"

And the necessity for maintaining volume is only half the problem: there is also a good deal less flexibility, as, for example, in product mix.

Incidentally, Professor Bright points out, this inflexibility may work to the advantage of the smaller manufacturer who cannot afford to automate. "Automation," he says, "may well prove to be an actual blessing to the small business man who is fast in his production and sales reactions. When a new product . . . or a new idea comes along he can . . . have it on the market before the highly automated plant can even have the change-over plans drawn. When the customer wants a modification, a special item, or a rush short order, is the automated plant a competitor? Quite the contrary. Its managers are not even interested . . . they can't afford to be."

The effect on sales, however, is only one of the aspects of automation considered in this book. There are detailed reports on production advantages and problems, procurement, maintenance, and personnel.

Combating the price spiral

PROSPERITY WITHOUT INFLATION *by Arthur F. Burns. Fordham University Press, New York 58, 88 pages, $2.*

Is it possible to have prosperity without the creeping inflation that has characterized our economy—except for brief periods—for so many years? Dr. Burns, a former chairman of the President's Council of Economic Advisers, believes that it is, and suggests a program that he thinks would do the trick without causing too much pain to anyone.

His major recommendation is that the Employment Act of 1946—which asserts the Federal Government's responsibility for employment, production, and purchasing power—should be amended to add price stability to the list. One of the main forces behind inflation in recent years, he says, has been the belief of business men, union leaders, and consumers that prices would keep on rising. And because they believed that continually increasing inflation

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was inevitable, they acted in ways that fostered it. Thus unions have pressed for round after round of wage increases, and employers have not resisted too strongly because they felt that higher labor costs could be passed on to the consumer —who, in turn, has swallowed the increases because he saw no other choice. A firm declaration by Congress would go a long way, in Dr. Burns's opinion, to dissipate this viewpoint. Such a move would also increase the likelihood that the anti-inflation steps possible under present laws would be taken, and taken in time.

For the rest, the measures he advocates are mainly the familiar ones: control of Government spending, use of budget surpluses to reduce the national debt, and credit restraints. The latter, he believes, can be imposed without subjecting small business to hardship if full use of existing laws is made. First, the Federal Reserve authorities "could favor at the discount window those banks which were attending with special solicitude to the requirements of their smaller customers." Second, they could dust off Section 13b of the Federal Reserve Act, which permits Federal Reserve banks to extend credit directly to sound businesses unable to obtain it through regular channels. For still greater usefulness, he believes, this section might well be liberalized.

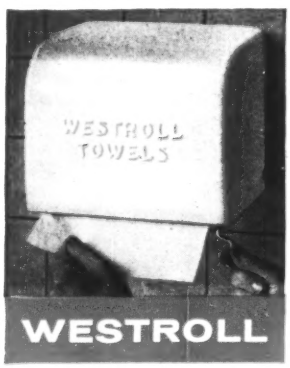
Second-best tax?

SALES TAXATION *by John F. Due, University of Illinois Press, Urbana, Ill., 396 pages, $5.75.*

This book is at once a report on the sales taxes imposed in the United States and other countries and an evaluation of them in terms of their revenue-producing powers, ease of administration, and effect on the economy. The author's final verdict is that they are "second-best taxes," to be imposed only as substitutes for an expenditure tax or for the income tax "in circumstances in which the state of political development does not permit adequate use of this form of tax."

Considered merely as a means of raising revenue, sales taxes are inferior to the income tax, Dr. Due believes, because they penalize those who are compelled to spend almost all their income—that is, the lower

How to save up to 40% on towels



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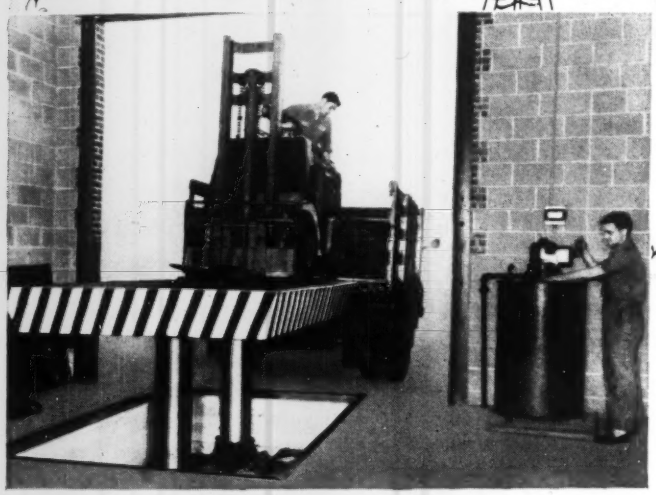

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income groups. Sales taxes should be used, he thinks, when government expenditures are so high that the income tax cannot yield enough without seriously curtailing incentive or capital formation.

As a means of inflation control, Dr. Due prefers the spending tax because it can be progressive and can make spending above a certain level almost prohibitive. While he admits that the sales tax is easier to administer, the author believes that this advantage might disappear once there was greater familiarity with the spending tax.

For managers—any level

LEADERSHIP ON THE JOB: GUIDES TO GOOD SUPERVISION, *edited by the staff of* Supervisory Management. *American Management Association, 1515 Broadway, New York 36, 303 pages, $6 (AMA members, $4).*

Though the articles in this book, which is made up of a number of short pieces by different authors, are directed mainly to first-line supervisors in the shop and office, all managers may find some profit in reading it, for it is devoted entirely to the problems of dealing with people. Among the subjects discussed are communication, developing a competent workforce, special personnel problems, employee attitudes, and union and community relations.

The articles were selected as the best of those that have appeared in AMA's magazine *Supervisory Management.*

In brief

PRACTICAL FINANCIAL STATEMENT ANALYSIS *by Roy A. Foulke. McGraw-Hill Book Company, Inc., 330 West 42nd St., New York 36, Fourth Edition, 712 pages, $10.* Mr. Foulke's "Fourteen Important Ratios" are well-known to readers of DR&MI. In this revised edition of his book, he explains in detail not only how to apply them in judging the performance of a business, but how to apply other tests as well. The final chapter deals with recent developments in accounting theory and practice.

INTERNATIONAL FINANCE *by Charles N. Henning. Harper & Brothers, 49 East 33rd St., New York 16, professional edition $10, text edition $7.50.* While it is intended primarily as a textbook, this work may be valuable as a reference book for the business man. Presupposing no knowledge on the part of the reader, it explains exactly how international transactions are conducted. The book includes more than 100 illustrations of financial forms currently used by leading banks.

At The Ford Motor Company's Cleveland Engine Plant No. 1

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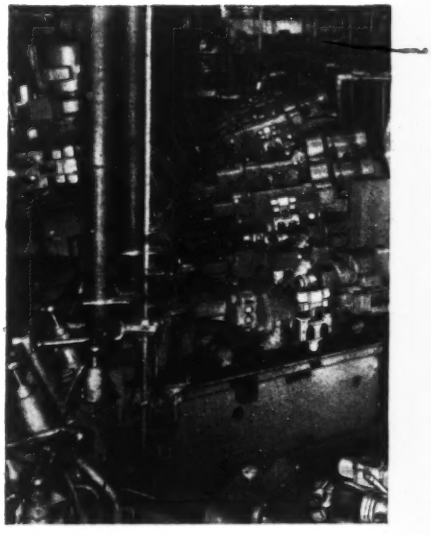
HELPS CUT MAINTENANCE COSTS of Machinery Supplied by These Companies to This Modern Automated Plant



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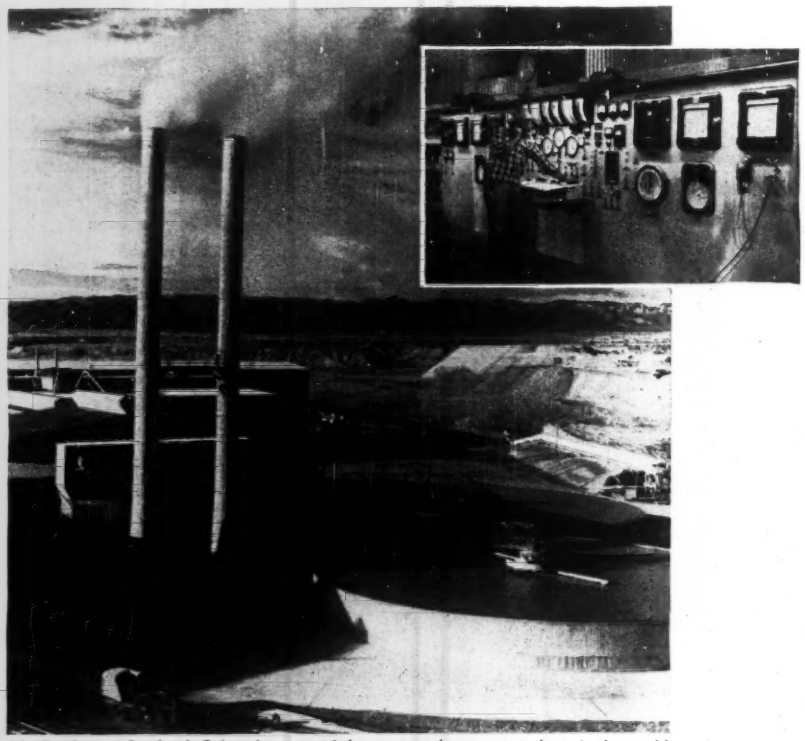

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Ad No. 4

continued from page 36

er's-eye-view of a proposed product. But don't let the high costs of tooling up or the difficulties of working with a heavy or bulky product persuade you to rely on guesswork alone. Techniques for pre-evaluating proposed products, even of such kinds, are widely and inexpensively available.

4. Have all basic assumptions underlying new-product work been exhaustively studied and tested?

Often the initial decision to assign a high priority to a proposed new product is based on a preliminary (and sometimes superficial) appraisal of the problems involved. It is extremely important to subject such a decision to careful review, *before* committing sizable funds to the project. In particular, all basic assumptions should be reviewed.

Many a new-product failure can be traced to using unsound premises as a basis for its development. Those premises may involve scale of demand, price, nature of competition, distribution channels, or almost any other element of marketing. You should be especially on guard against wishful thinking in this key area.

As an illustration of how it could happen to you, here is the experience of a well-managed company, an industry leader in a field that sells largely, although by no means exclusively, through jewelry channels. The objective of the new-product program was to expand volume by adding products similar to the company's existing line in terms both of manufacturing skills required and of distribution channels used. One product under consideration was a camera about as large as a pack of cigarettes. The analysis that led the company to embark on research and development of the camera simply stated that a product with such-and-such characteristics could be sold in volume through jewelry outlets. Hundreds of thousands of R&D dollars later, the company perfected the product. At that point they found that cameras in the same price class as theirs were sold almost exclusively through photographic outlets. The product was quietly interred.

5. When products have been in

development over a period of time, is the marketing picture periodically and routinely re-examined for new or changed factors that affect the volume outlook?

It often takes considerable time to move a new product from the idea to the ready-for-production stage. A further lag is caused by the varying lead-times required for tooling and production. In effective new-product programs, provision is made for a periodic and routine, but far from perfunctory, re-examination of the marketing situation. Today the marketing picture changes with often breath-taking rapidity. A soundly conceived product, created to fill an unquestioned need, may fail because some other product aimed at the same need-target beat it to the marketplace.

Careful attention to trends affecting basic market factors is also essential. The hazards of basic market changes are illustrated by the case of Ford's new Edsel car. When the plans to launch the Edsel were made, the middle-price automotive market was a large and expanding segment of the total. But it took three years to translate the plans for the Edsel into a product-in-being with a going dealer organization to sell it. Early Edsel sales were below expectations—partly because the middle-price share of the auto market was far smaller in 1957 when the car was introduced than it had been when plans were frozen for production.

You are unlikely to have to cope with the hazards that a three-year lead-time adds to the always risky business of developing and marketing new products. Even so, the Edsel experience is one to remember. A major competitive innovation or a sharp change in import competition may make it desirable for you to re-examine your plans. Often it is far less expensive to put the brakes on a product and "eat" the research and development costs than to market a product when the odds against its success have changed materially.

6. Have the differences between your new products and your basic business—and especially the marketing differences—been fully recognized?

A company's failure (especially in the planning stages of the program)

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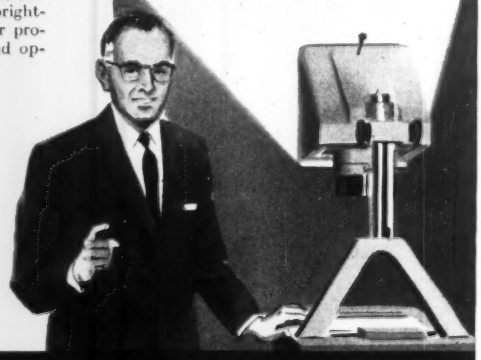

PROJECTION OPTICS

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Makers of Precision Optical Equipment Since 1919

to recognize the basic and striking differences between the business it is in and the business it proposes to enter spells doom for many new products even before they see the light of competition.

This problem is particularly acute in the case of companies that dominate their industry. They tend to enter new-product marketing with a rather strong "we are a leader" bias. Despite the new-product actuarial tables, they are confident of success. Often they stumble and fall, tripped by overconfidence.

Their new product goes into a market where it is often a "me, too" or "just another" product, rather than a leader. Competitors ignore (as they should) the company's acts. They fail to follow—which can be disconcerting to those who think in terms of leadership. As a result, the company finds that its appraisals of "what will happen when we do such-and-such" are grossly in error.

This is an extremely important problem area, partly because of its great and inescapable complexity. Differences between your established product and your new product may exist in almost any section of the marketing picture. They may exist in the area of product differentiation, for example. You are a leader in your basic industry because your products are clearly superior in ways that are important to the customers who use them. Your new product may be insufficiently differentiated, or differentiated in ways that are considered unimportant by the customers you're selling. What happens then?

THE AUTHOR • Richard D. Crisp writes on marketing problems with the authority of experience. For eight years, he was director of marketing research and an owner of Tatham-Laird, Inc., a Chicago advertising agency. Since 1955 he has headed his own marketing-management consulting firm, Richard D. Crisp and Associates, Inc. Mr. Crisp has also served as staff assistant to the sales vice president of S. C. Johnson & Sons, Inc.; manager of the marketing department of Foote, Cone & Belding; account research supervisor for Lord & Thomas; and a member of the merchandising staff of Young & Rubicam, Inc. He lectures at Northwestern University and is the author of several books, including *Marketing Research*, recently published by McGraw-Hill Book Company, Inc.

By Using the Weber Touch-Stencil System

All Shipping Cartons at Gillette are Addressed by One Man!

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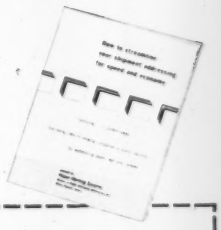

WEBER MARKING SYSTEMS
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All the experience you have developed in your basic business becomes either irrelevant or obsolete. You have no basis for judging the extent to which, for example, your conversion of "triers" to users is good, fair, or poor. Besides, your estimate of the influence of price strategy on volume is unlikely to apply to this new, strange situation.

Or consider service. Perhaps the basic products you have been selling have required very little service. Your new product takes you into an industry or product area in which prompt service is more important to your customers than what seem to you to be basic differences in the qualities of the products themselves. What do you do now? To keep the situation simple, let's assume that you anticipated this problem. But it would be far more realistic to assume that you had failed to do so and only found out about it when you tried to diagnose your disappointingly low rate of sales.

Another problem might well develop in trade practices and terms. As a newcomer in an industry, you will have to offer distributors all the attractions and advantages they have been getting from other companies. To break in, you may have to offer more. What will you do if the existing concerns equal or exceed your offers? How far are you prepared to go to "buy your way in"?

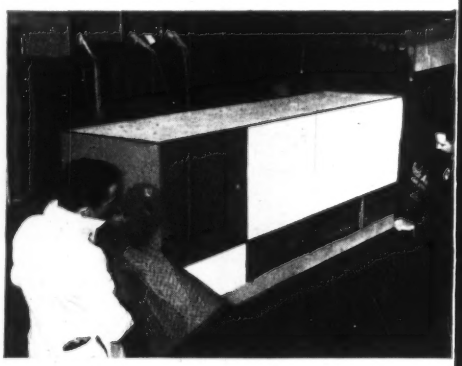
The answer to that last question can be vital. It certainly was in the case of one of the most spectacular financial flops in the new-product area. When Lever Brothers introduced Swan soap as a challenge to Procter & Gamble's Ivory, initial plans called for an advertising expenditure rate three times that of Ivory's going rate *in the planning period*. But by the time Swan was actually launched, P&G's expenditure

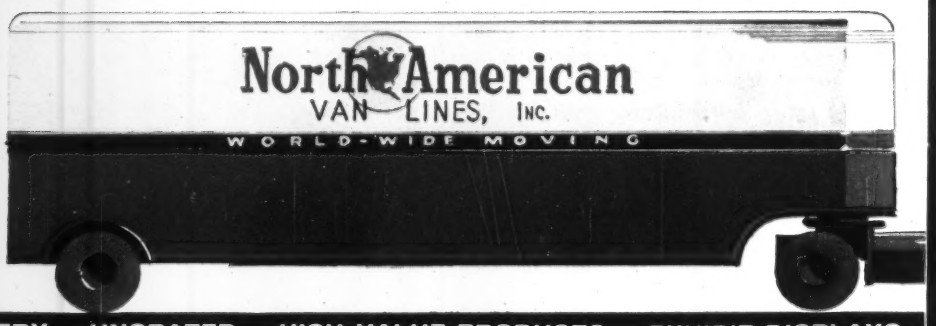
G. T. Peterson (left), manager of product planning for the RCA Victor Radio and "Victrola" Division of the Radio Corporation of America, confers here with engineering, merchandising, and design executives on plans for a proposed model in RCA's high-fidelity line.

Save time, money! Ship your displays

LEFT: RCA-Whirlpool Miracle Kitchen, sent city to city by North American Van, arrives okay, right on schedule.

RIGHT: North American movers load van for new Whirlpool show. Careful padding protects items for safe delivery.





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Cues to Successful Product Planning

Here is a summary of the main points to keep in mind when planning a new-products program:

- Start out with specifically defined objectives. Such objectives reduce the area of search and tend to make the entire program more efficient.
- Begin with the company's existing business and work out from there. The more a new product differs from the product the company knows best, the greater the dangers and risks.
- Make sure your new-product planning is customer-oriented rather than factory-oriented. Study and validate all basic assumptions before making extensive commitments. Recheck them as a precaution against obsolescence through market or competitive change if the time interval involved is long.
- Carefully define and recognize the differences between the business the company knows best and the business the company is entering with a new product. Plans should be made to launch a product into a market as it is, not as you may wish it were.
- Maintain a careful schedule. Provide adequate time for marketing planning.
- Minimize risk by introducing the product on a limited scale.
- In interpreting results, take into account the distorting factor of nonrepetitive volume.
- Check results against forecasts, and take appropriate action.

rate for Ivory had been tripled. Published estimates of Lever Brothers' loss on Swan have run as high as $20 million.

7. Is the scheduling of your new-product development realistically established and reasonably maintained?

There can be no question of the difficulties implicit in establishing and maintaining an "on time" schedule in research and developmental work, particularly where that work is primarily creative. But eventually, in the development of every product, a point is reached when it is possible to predict with reasonable certainty how soon the product can be launched. It is in the scheduling of activities during this interval that the most marked differences between the practices of successful companies and average concerns appear.

Traditionally, delays in research and development are allowed to soak up a larger and larger part of the total time before introduction day. As an almost inescapable consequence, vital elements in marketing planning are telescoped or eliminated. The new product slides down

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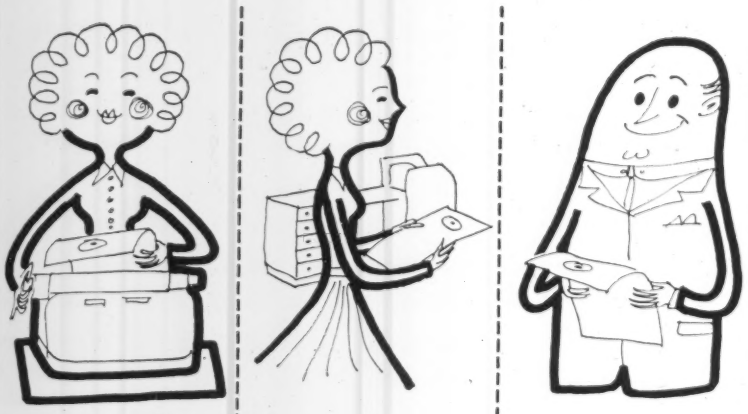

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*T.M. Reg. U.S. Pat. Off.

the ways and sinks with only a few bubbles to mark the spot.

In contrast, those companies that make something close to a fine art of new-product activities generally enforce a carefully predetermined time schedule throughout the new product's developmental period. They have written lists of all key elements and decisions that must be made and adequate time allocated for each. That kind of detailed schedule—which might run to more than 150 different major decisions in marketing alone—is a potent planning tool, which minimizes many of the serious risks that might handicap the new product.

There are two ways to enforce such a schedule on a research-and-development team. First, successful companies often have no research and development team. Instead, they have a new-product team, on which both research-and-development and marketing management viewpoints are represented and closely integrated. Second, commercially acceptable standards of product performance are provided as a guide to research and development efforts. This eliminates the time problem, with which most executives experienced with new products are familiar. The technical research group wants "just a little more time." In return, they promise a "much better" product.

In some ways, producing a new product is like a pregnancy. A point is reached when more time in the womb contributes little to the baby, and it can be mighty hard on the mother.

8. Is your new-product marketing routinely begun either on a test-market or on a controlled, limited area basis?

New-product marketing is fraught with risk. It is only plain common sense to minimize that risk by reducing the scale of its introduction. Experienced companies try to do this by using a carefully pre-planned test market or a limited geographical introduction, which is also a test of sorts.

There are two important advantages in this limited-risk approach. First, when the product is a dud, the small-scale introduction demonstrates that fact, usually unmistakably, with a minimum investment of time, effort, and money. Second, al-

most all test-market or limited-scale introductions reveal "bugs" in the marketing plan or ways to improve its effectiveness substantially. By using a market test as the production management team uses a pilot plant, both the likelihood of success and the scale of that success if achieved can be increased.

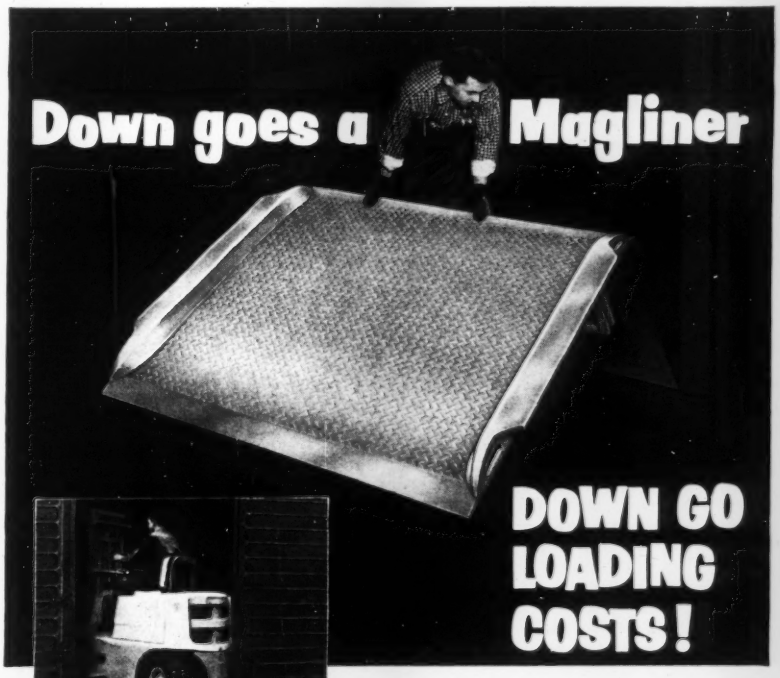
9. Is nonrepetitive or stock-building volume carefully considered in evaluating the limited-scale test or introduction?

One of the most frequent mistakes is the strong (often, it seems, irresistible) tendency of management to underestimate the length of time and the volume required to build up distributors' supplies of a new product. As a result, some of this stock-building volume is incorrectly translated into actual consumer sales, thus causing estimates of the new product's market potential to be ridiculously exaggerated.

10. Do you carefully compare the sales volume and the cost of achieving it with the pre-introduction budgets and forecasts?

Careful and continuing attention to whether the sales achieved and the costs of securing those sales match, exceed, or run under pre-introduction budgets and forecasts is standard operating procedure in effective new-product programs. It is important to watch the vital early results so that appropriate action can be taken. The definition of "appropriate action" depends on how actual volume and expenses compare to the forecast. If the product is destined for failure, minimize losses and trip the trap on it at the earliest possible moment. If the product is running ahead of forecasts, then carefully controlled experiments to see how high volume can be pushed, perhaps with additional promotion or sales force, are indicated.

It is impossible to cover new-product development completely in a single article. But these questions and answers represent a comprehensive checklist for setting up an effective new-product program. No one can hit the ball out of the park on every new product, but if you follow these tips you'll make fewer strike-outs. END



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GROUND LEVEL LOADING? Check into a Magliner mobile loading ramp—a loading dock on wheels . . . where you want it . . . when you want it. One man moves it.

PLANNING A NEW PLANT? Install Magliner Perma-Docks — the permanent magnesium dock board system. Low initial cost . . . economical installation . . . maintenance-free operation. Built-in dock loading efficiency—plus more usable dock space.

And they'll stay down with Magliner magnesium dock boards on the job! Magliners speed loading, eliminate dock congestion . . . get extra work from power trucks and other loading equipment. Costs go down and stay down because Magliners are magnesium light—easy to put down . . . easy to move. No heavy lifting . . . no injury hazards. Men, loads and equipment move *fast, sure, safe*—protected against accidents and costly damage.

Magliners are magnesium-strong too, for rugged dependable service . . . safely handle loads up to 20,000 lbs. and more Magliners are low in initial cost, provide long-life service, require less maintenance. Economy and cost savings right down the line!

Put all these advantages to work for you . . . put Magliners to work on your dock!

MagLiner MAGNESIUM DOCK BOARDS

Canadian Factory: Magline of Canada Ltd., Renfrew, Ontario

Please send me my copy of How to Cut Dock Loading Costs.

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To benefit by this miracle, your mind must open to radical change —from familiar, standard methods of handling paperwork to automatic systemizing by Tape-Talk.

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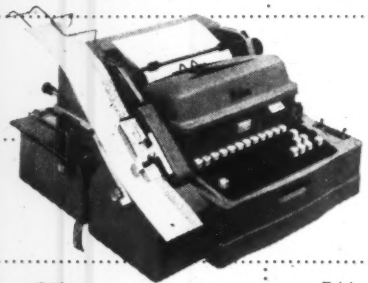

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- *Maintenance Talk and Tools*
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- *Interlocking Drums*
- *Faster Molding Method*
- *Longest Plastic Pipe*
- *Things to Come*

Pollution steals the show

As if to underscore their growing significance to industry, air and water pollution was the subject of technical discussions at the recent Plant Maintenance Show in Chicago. Over 1,000 plant engineers attended the session, where experts explained how maintenance managers can help reduce pollution. Their main emphasis was on the importance of catching pollutants at the source, not as they are about to enter the atmosphere or nearby rivers or streams. The experts also strongly advocated holding wastes in lagoons when streams are low, for gradual release only when streams again reach the normal level.

Among the exhibits, the enormous variety of small hand and shop tools was outstanding. There was a tool for every maintenance function, and many of the tools had more attachments than a household mixer. The trend is to add power—either steady or explosive—to all tools formerly operated by muscle power.

The exhibits of floor coverings and floor-cleaning apparatus were also noteworthy. Some new floor cleaners look more like swept-swoop convertibles than industrial machines. The George H. Tennant Company's biggest floor sweeper features dual headlights and a two-tone paint job, and costs a good bit more than some Cadillacs.

MEPHISTOPHELES: Actually, this isn't a devil appearing in a burst of fire, but an inspector observing an automatic welding operation. Truck rims made here at Firestone Steel Products, Wyandotte, Mich., are ten pounds lighter than those made by conventional methods.

More drums in less space

New 55-gallon drums can be stacked closer together because their hoop-like ridges are irregular. When one drum is stacked against another, the hoops interlock instead of meeting. Because of the interlocking effect, the drums, which were developed by Signode Steel Strapping Company, Chicago, can be strapped together and handled in pairs or fours without a pallet. Vulcan Containers, Inc., Bellwood, Ill., makes this new kind of drum.

Intercompany plastic pipe

A plastic pipeline more than a mile long now links the zirconium and titanium sponge plant of Mallory-Sharon Metals Corp. to the sodium plant of U.S. Industrial Chemicals Company at Ashtabula, Ohio. The 6,200-foot-long carbon-black-filled polyethylene pipe is regarded as the longest plastic pipeline in the world. With an internal diameter of six inches, the pipe carries a hot, saturated brine that is a by-product of the metals operation.

Oil dump

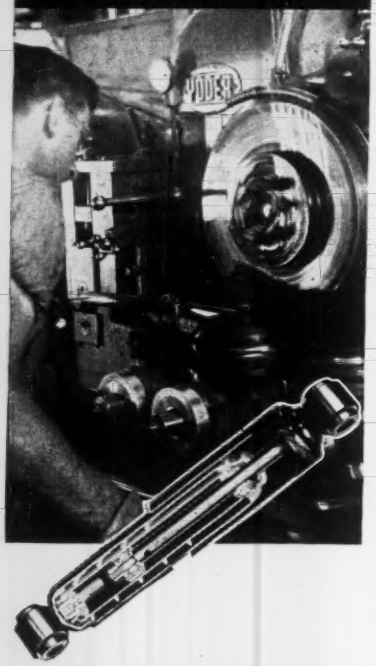
Waste cooling oil from machine-tool sumps can now be more readily disposed of by a plant vehicle specially designed for the job. Called the Sludge-Vac, the $5,000 machine has a 200-gallon capacity. It discharges its cargo of chip-filled oil under pressure. The manufacturer, Gorske Industrial Equipment, Indianapolis, will soon introduce a smaller version.

Progress in plastics molding

Injection molding techniques—one of the big reasons for the plastics industry's phenomenal postwar growth—now account for a tremendous range of products and parts for both industrial and consumer use. Molded polystyrene, for example, today is an integral part of products as diverse as electric hair-dryers, industrial truck controls, and chandeliers (DR &MI, June 1957, page 57).

A basic improvement in any important production method is bound

Monroe Shock Absorbers rely on Precision Performance of YODER TUBE MILLS

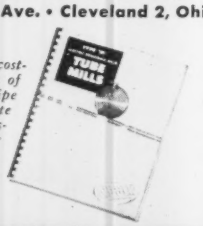


After 15 years of continuous operation the Yoder Type-M Electric-Resistance Weld Tube Mill shown here, is still producing precision tubing for the Monroe Auto Equipment Co., Monroe, Michigan. Yoder produced tubing is the basic component of the famous "Monro-Matic" shock absorber. Measuring 2 1/64" outside diameter (plus several other sizes) the tubing is made from 22 gauge strip in one continuous operation . . . it is automatically cold-roll formed, welded and cut to pre-determined lengths.

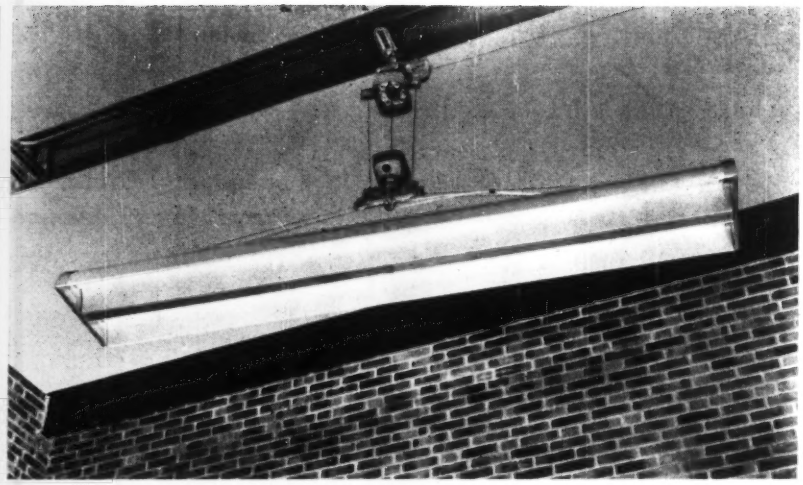
This typical installation of a Yoder tube mill exemplifies the accuracy, dependability and production economies of Yoder-made tubing. If your business requires pipe or tubing, ferrous or non-ferrous, in sizes from 1/4" to 26" diameters, there is a Yoder mill designed to produce it economically, efficiently and accurately.

THE YODER COMPANY
5531 Walworth Ave. • Cleveland 2, Ohio

Check into the many cost-saving advantages of operating a Yoder pipe or tube mill . . . write for the fully-illustrated 88-page Yoder Tube Mill Book . . . it is yours for the asking.



ENGINEERING YODER MANUFACTURING
PIPE AND TUBE MILLS
(ferrous or non-ferrous)



EASY MAINTENANCE: When light fixtures are suspended on pulleys, plant maintenance men don't have to climb ladders or use elevated-platform trucks in order to change light bulbs or clean fixtures. This method is particularly applicable in plants where aisles are too narrow to admit trucks or even ladders. Fixtures weighing as much as 120 pounds can be hung from this pulley, which is made by the Thompson Electric Company in Cleveland.

to interest an awful lot of people, particularly when it promises significant savings to the fabricator—savings that might eventually be passed along to purchasers. And like any other fabrication technique, injection molding has its limitations.

Recently W. R. Grace & Company, which two years ago diversified into plastics, announced that it had obtained exclusive licensing rights to a new injection-molding technique that is described as offering manufacturing-cost savings of up to 25 per cent to makers of injection-molded plastic parts.

With the new technique, known as valve gating, the molten plastic is held in a reservoir while pressure is built up until it actuates the release of a valve (or valves), forcing the liquid into the mold at high speed.

Several advantages are claimed for the valve-gating process, which was developed by Columbus Plastic Products, Inc., Columbus, Ohio, and licensed to Grace. For one thing, it's said to reduce scrap losses and rejects, cut down shrinkage and finishing costs, and involve less clogging of the mold. For another, Grace claims, it permits reduction of the weight of finished parts. Timing cycles are also cut down, and multiple valve gating offers the possibility of larger pieces, using molding equipment of smaller size than that required by conventional molding methods.

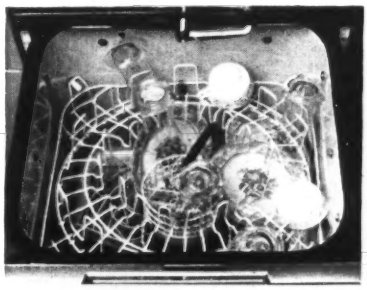
Things to come

• "Walkie-cookie" is the name given by Westinghouse engineers to an experimental oven that can be turned on or off by remote control. The control is a small transistor radio transmitter that a housewife can carry about with her while she shops, plays bridge at the club, or works.

• Continuous processing is now being adapted to commercial laundries. A nation-wide organization of laundries has commissioned Stanford Research Institute to develop a new automatic process to replace present batch methods. —M. M.

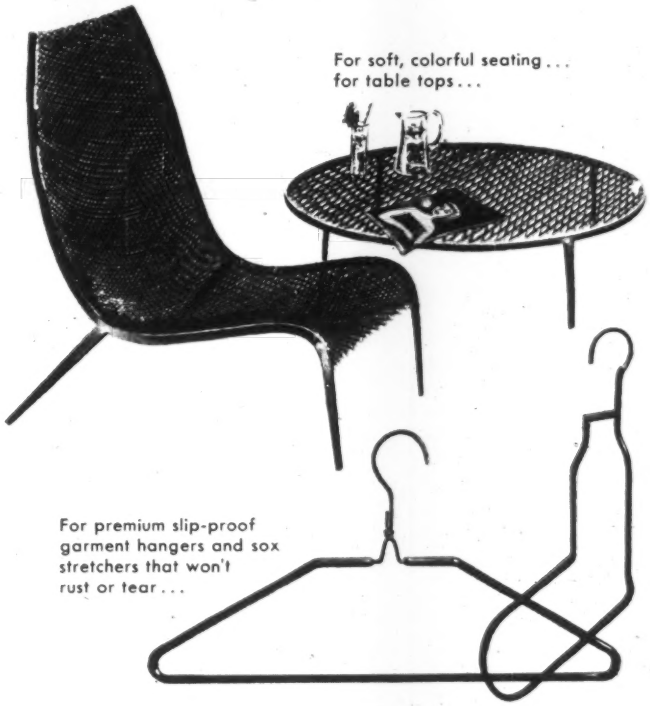
QUICK WORK: Demonstrating the valve-gating technique, a W. R. Grace technician takes polyethylene dishpan out of mold.

NEW WAY TO UPGRADE YOUR PRODUCTS: VINYL COATINGS



This lustrous vinyl-coated rack resists the scalding water and detergents of automatic dishwashing, prevents clattering and chipping of delicate china.

For bassinets, metal play pens, children's furniture...



For soft, colorful seating... for table tops...

For premium slip-proof garment hangers and sox stretchers that won't rust or tear...

For leather-like stair-well filler, protective screening...

Colorful, leathery coatings for wire and expanded steel

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You can make the elastomeric coatings soft and rubbery—or as hard as tire casing. Make the finishes glossy, matte, or even *crinkled*. And in any color you choose. The characteristics of the final coating are determined by the formulation. After spray or dip application, a short heat cure "sets" the resin and permanently bonds it to the metal.

Write for sources of vinyl in liquid form for coating metal, glass, or wood. Get a head start on investigating the new, profitable ways to use wire and expanded steel—vinyl coated for resilience, color and premium appearance. Write today!

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Monsanto manufactures a wide variety of plasticizers and Opalon® resins for formulators of these high-quality vinyl dispersions.

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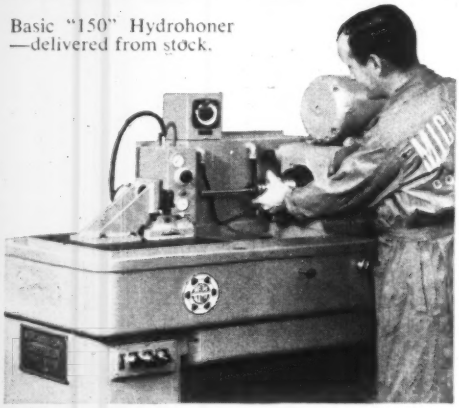
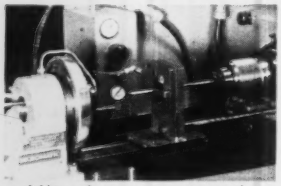
Assures Controlled Finish . . .
Provides Rapid Stock Removal

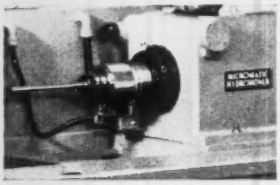
To assure rapid stock removal and consistent generation of surface finish desired, the low-cost "150" Hydrohoner utilizes the distinctive Microhoning characteristic of self-dressing abrasives. Because abrasive grits are kept sharp-cutting at all times by a combination of controlled pressure and reciprocating-revolving motions of tool, a constantly high cutting efficiency is effected.

Basic "150" Hydrohoner —delivered from stock.





Microsize gage automatically ends cycle when exact size is reached.



Microdial automatic feed control and stone wear compensation.

Possessing a 12-inch stroke and a work diameter capacity of 1½ inches, the standardized "150" readily accommodates a variety of fixturing and tooling to assure easy adaption to a wide variety of work parts. Also, by addition of standard packaged units produced by Micromatic, it can be partially or fully automated.

Performing to the standards of higher-priced, special-purpose honing machines and incorporating features of a general-purpose design, the "150" Hydrohoner is an economical, long-range investment for long or short production runs.

Send Coupon for Complete Information.

Learn why Microhoning will give efficient stock removal, closer tolerances, accurate alignment and functional surfaces.

☐ Please have a Micromatic Field Engineer call.
☐ Please send Micromatic literature and case histories.

NAME_____

TITLE_____

COMPANY_____

STREET_____

CITY_____ ZONE_____ STATE_____ J

MICROMATIC HONE CORP.
8100 SCHOOLCRAFT AVENUE • DETROIT 38, MICHIGAN

TRADE ASSOCIATIONS

continued from page 46

der the heading of "government relations."

These phrases are not entirely euphemisms to escape the "lobby" label. Actually, executive agencies and independent or semi-independent governmental agencies have so proliferated in the last ten or twenty years that trade associations are much more likely to find themselves dealing with administrative functionaries than with Congress or its committees.

The importance of the Federal defense budget, now the biggest single chunk of the entire national budget, and business interest in procurement indicate in part how important representation before nonlegislative Government bodies has become. The sheer size of the national budget is another gage of the necessity for business to have adequate representation in Washington.

Five Top Activities

But even though legislative representation, or lobbying, is still an important function of most associations, it is far from being the major activity of the typical group. In a prospectus of association activities for 1957–58, Jay Judkins, chief of the Trade Association Division of the Department of Commerce, lists the various kinds of Government representation after five other activities. *All* national trade associations, he says, will (1) function as the nation's centers of information on their particular industries, (2) keep in close touch with all related industries, (3) issue bulletins, usually monthly, on business trends, legislation, trade statistics, labor relations, and other specialized subjects, (4) prepare booklets and annual data, (5) aided by technical experts, arrange frequent conferences of members on current industry problems.

Not until Judkins gets into the second category of activities—those to be undertaken by 70 to 100 per cent of associations—do government relations appear.

Incidentally, a 1955 survey of 634 trade and professional associations, made by the U.S. Chamber of Commerce, shows "government relations" as the third most important activity, preceded only by meetings and publications.

Judkins lists some 80 activities in all. Of course, it is doubtful whether any one association—even the Association of American Railroads, with a staff of more than 600, or the National Association of Retail Grocers, with 110,000 members—will undertake all or even most of them. But the mere fact that there are so many emphasizes the impressive variety of trade association activities.

There has also been a trend in recent years to trade association mergers. In some cases they have paralleled corporate mergers in allied fields, and some association executives foresee more. But the major trend, indisputably, is toward still more growth. The number of trade associations will increase. Each one will cover a larger piece of membership potential. Activities will spread out, especially in such areas as research into raw material sources and market trends, management- and employee-training programs, industry promotion, and provision of data for longer-range planning.

Why They Grow

Jay Judkins cites three reasons for the increase in trade associations in the past: encouragement by Herbert Hoover when he was Secretary of Commerce in the early 1920's, the need for organizations to formulate and administer "codes of fair competition" under the NRA in the early 1930's, and the great complexity of governmental regulations affecting business during World War II. This last factor is undoubtedly still at work.

At the last count, mid-1957, there were 12,200 trade associations, of which 1,700 were national. In 1920, there were 2,000, with 600 of them national in scope, Judkins estimates.

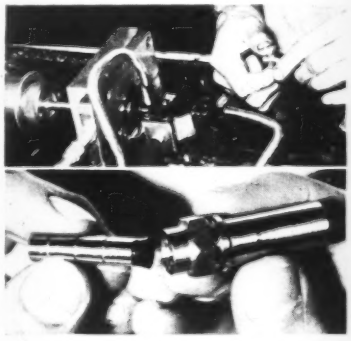
The generating spark for the creation of new associations will come from within the industry. The day has passed when a jobless Washington newspaperman, hungry attorney, or lame-duck Congressman could establish a one-man bureau to sell his services as legislative representative to a whole trade on a you-share-the-cost-and-I'll-get-rich basis. But the attempt is still made. Only last Summer a man with a wonderful idea for a trade association, but no members, applied to the American Society of Association Executives for "contacts" in his chosen field. He got nowhere.

What constitutes a large or a small

HOW Manufacturers Use "150" HYDROHONER To Reduce Costs...Control Finish... Obtain Rapid Stock Removal

Leading Manufacturers of precision parts are using the low-cost "150" Hydrohoner to secure high production, rapid stock removal, geometrical precision and controlled surface finishes. Indicative of the versatility for application of this highly efficient honing machine are the following recent installations:

The crankpin bore of a compressor connecting rod is Microhoned on a "150" Hydrohoner within tolerances of .00015" for taper, and .0002" for size and out-of-roundness. From .0008" to .001" of stock is removed from the bore (.875" diameter x .43" long) in about 8 seconds, while obtaining an 8 Microinch finish.



In this installation, a "150" is Microhoning in two runs the bore (.313" diameter x 1.375" long) of a braking cylinder. The first run removes between .004" and .006" of stock in 30 to 35 seconds. During finishing run, the final .0005" to .0008" is removed to provide geometric accuracy within .0002" tolerance and an 8 Microinch or better finish. Precision and controlled finish of bore prevent hydraulic oil leakage and minimize wear of neoprene-cupped piston.

The principles and application of Microhoning are explained in a 30-minute, 16mm, sound movie, "Progress in Precision" . . . available at your request.

☐ Please send me "Progress in Precision" in time for showing on _____ (date).
☐ Please have a Micromatic Field Engineer call.
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trade association can be defined in clear-cut terms only by size of staff or budget. Even then a comparatively small staff may administer a pretty large budget, depending upon the services the association performs. Many of the 10,500 local associations have only a part-time executive. Even among the 1,700 national associations, at least half have four or fewer persons on their staffs. Yet in a recent survey of 243 trade associations, Roscoe C. Edlund, association specialist with Rogers, Slade & Hill, turned up one with an annual budget of more than $6 million and seven in the $1-million-or-more class. Annual sales of the member companies of 68 of the associations studied (all in manufacturing) totaled more than $60 billion—about a half to two thirds of all manufacturing sales in that year, it has been estimated. Staffs range up to 135, and some of the business groups have more employees than they have members.

Organizations with thousands of small members may operate on comparatively limited funds, but a group in a basic industry, whose members turn out billions of dollars of products annually and spend as much as $100,000 a year in membership dues, may have only a score or two of members.

Budget Influences Service

From the viewpoint of how much service they give their members, trade associations vary widely. Edlund describes two groups that represent about 80 per cent of their industries. Both have membership dues of 0.13 per cent of sales volume. One covers a $10 billion industry and has an annual budget of $1.5 million, a staff of 68, and dues that run from a minimum of $300 to an unlimited maximum. The other represents a $55 million industry and has 25 members, an executive shared with three related associations, and dues ranging from $50 to $550 a year. Obviously, the difference is in the services rendered members.

Edlund also found an association with dues of 4 per cent of sales volume, and another with dues of 1 per cent, with an increase to 3 per cent under consideration. These associations cover industries severely threatened by competition from other kinds of products. Their heavy assessments go primarily into product promotion.

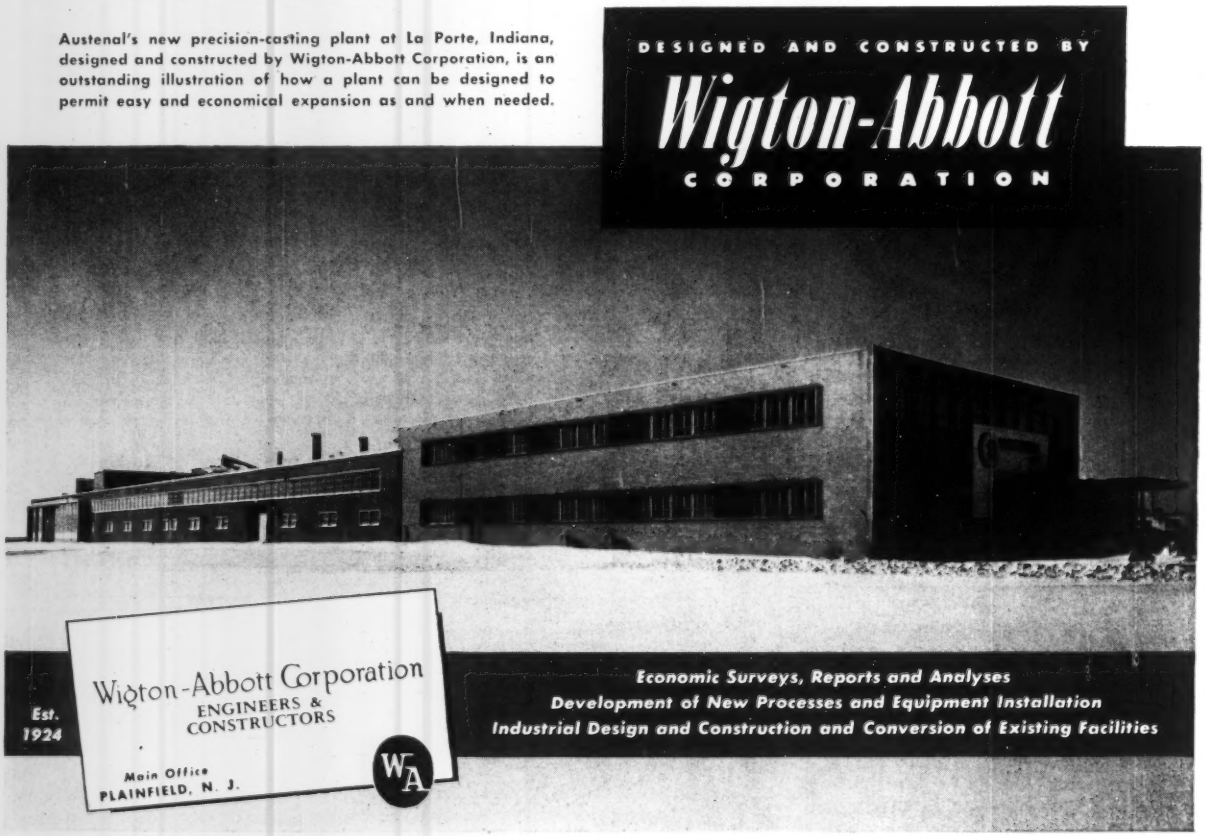
The U.S. Department of Commerce, reporting on all kinds of associations, says cost of membership is "usually" about 0.1 per cent of sales. In a big association like the American Iron & Steel Institute the ratio of dues to sales is in the range of thousandths of 1 per cent.

One factor that permits big associations to keep dues ratios down, despite big association budgets, is, of course, the tremendous volume of sales against which the dues are assessed. But the voluntary services the associations obtain free from top executives of member companies are probably just as important.

The Manufacturing Chemists' Association, for example, has one board chairman, three presidents, five vice presidents, three public relations directors, three assistant public relations directors, and five men heading corporate aid-to-education departments, all as active members of its education committee.

An industry made up of smaller units could probably not find so much talent for its board of directors,

Austenal's new precision-casting plant at La Porte, Indiana, designed and constructed by Wigton-Abbott Corporation, is an outstanding illustration of how a plant can be designed to permit easy and economical expansion as and when needed.



much less for one of 22 technical and functional committees. MCA pays these committee members nothing for their services. Even their traveling expenses to attend committee sessions are absorbed by their companies rather than by MCA.

Committee Expenses

In associations composed of smaller units, and particularly in those of national scope, when long and time-consuming travel may be required, expenses are naturally paid. A survey made two years ago by Ernst & Ernst for the ASAE indicates that travel expense may amount to a substantial item in an association's budget.

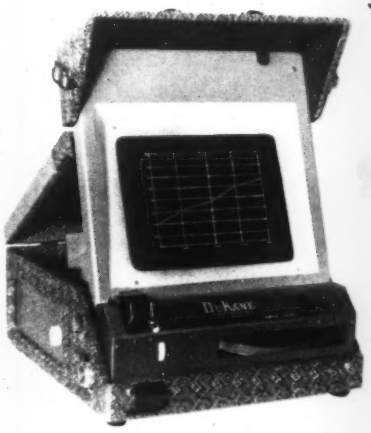
The possible scope of a trade association's activities is illustrated by a rundown of MCA committees: air pollution abatement, atomic energy, chemical packaging, chemicals in foods, education advisory, fire insurance, general safety, hydrogen peroxide, industrial alcohol, industrial relations advisory, international trade and tariff, labels and precautionary information, mechanical, medical advisory, patents, plastics, public relations advisory, research advisory, tank car, tax policy, traffic, and water pollution abatement. Notable is the balance between the members' immediate dollar-and-cents concerns and their interest in the industry's public relations.

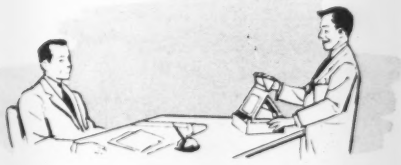
The MCA exemplifies the trend (to the extent it exists) to mergers among trade associations. The Plastics Materials Manufacturers Association merged some time ago with MCA, and this year MCA's absorption of the membership of the American Lithium Institute was announced. The National Plant Fertilizer Association also merged recently with the National Plant Food Institute.

In the quarterly *Journal* of the ASAE, a timberman who had served for some time as an association executive suggests that more association mergers may be required to rationalize the work of the trade groups as more and more corporations merge and diversify.

To take care of diversified interests, many companies belong to more than one trade association. For example, one company is reported to be a member, through one or another plant or division, of 125 trade organizations. And some associations,

a professional salesman





in a 13-lb. package

Unique, new DuKane "Flip-Top" projector makes every neophyte a professional salesman . . . Doubles the effectiveness of your experienced sales people! Delivers the message the way you want it, complete with sight *and* sound. Open the lid, plug it in, slide the record in the slot, and the Flip-Top starts selling instantly. Ideal for desk-side prospects or small groups. Complete with built-in screen. Startling clarity in color or black-and-white filmstrip. Top voice fidelity. **All for only $99.50**

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completely automatic sound slidefilm presentation with the MICROMATIC

FOR SELLING OR FOR TRAINING, the DuKane Micromatic is the industry's standard for quality and performance. Film advances automatically—always on cue—triggered by 30 50 cycle impulse. DuKane "Redi-Wind" eliminates film rewinding forever! Shadow-box screen built into carrying case, plus plenty of power for big-screen projection.

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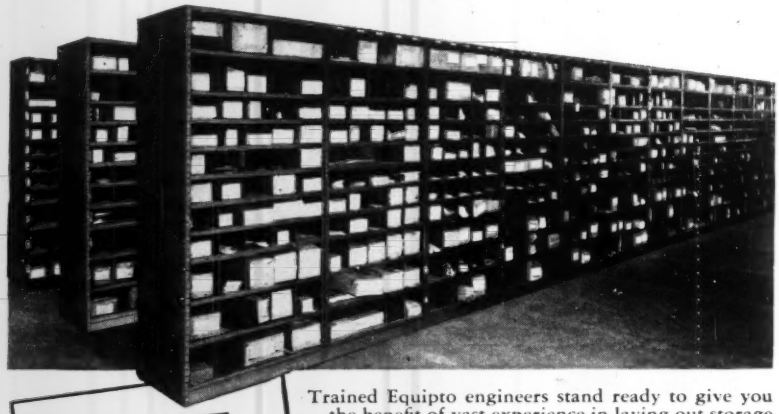

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It uses just seconds of personnel time; requires no technical operating skill to achieve superior reproduction quality. Manufactured by Times Facsimile Corporation, a pioneer in the development and one of the major suppliers of electronic facsimile equipment. Durably built with precision-made mechanical parts and electronic components designed and constructed in accordance with (UL) approved standards. Its attractive cabinet design occupies only 26" x 18" of floor area.

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or federations of associations, have worked out ways of meeting the needs of members with widely varying products.

The National Electrical Manufacturers Association, for example, has sections for manufacturers of products ranging from small household appliances, or even electrical-product parts, to power-producing equipment. NEMA does an outstanding job of planning its program in detail a year ahead. Then it budgets most of the individual projects and levies the cost against the sections whose members will benefit. (At the end of the year, actual costs are determined and assessed against members, resulting in either a debit or a credit against next year's bills.) In this way NEMA can undertake projects of interest to single groups without burdening other groups with their costs, and still carry on industry-wide projects to benefit all members.

Tax-Exempt Pitfalls

Tax-exempt organizations come under the very watchful eye of the Internal Revenue Service. According to the ASAE *Journal*, the IRS has been tightening up on allowable activities for trade associations that want to retain their tax-exempt status. Roughly, the criterion for tax exemption is whether or not the service performed is available from a commercially operated enterprise. Some such services may be performed if they are in the nature of by-products of other association activities and do not constitute its main purpose. Sometimes exemptions may be lifted only from the single activity competing with a private enterprise. Sometimes the association's whole income may become taxable, as if it were a commercial enterprise.

Aside from these limitations, however, the trade associations have wide opportunities for service, and many are taking greater advantage of them each year. They stand to become—indeed some have already become—almost indispensable to the successful operation of their members' enterprises. According to several surveys made in recent years, they have enlisted the membership and support of about 75 to 80 per cent of the industries they cover, all for voluntary undertakings. Except by compulsion, any Government-devised system would probably have difficulty in getting more. END

STRENGTHENING SALES
continued from page 39

plan for bathroom installation and remodeling is said to be the first of its kind in the industry. Since plumbing fixtures for new construction account for about 80 per cent of the industry's sales, companies have usually neglected the replacement market in recent years.

But with the turndown in new residential construction, Universal-Rundle determined to go after that neglected 20 per cent of the market. The company estimates that the new time-payment plan should double its sales volume in this market.

Another advantage is cited by Vice President Stanley S. Backner: "By overcoming the need for a total payment upon installation, we've subordinated price considerations to the consumer's desire for products of better quality, with more features, and in color—products with larger profit margins."

The response of distributors to the plan has been warm, for as Vice President Backner adds: "Plumbing contractors usually buy through only one or two distributors at any given time. New customers gained through the time-payment plan will normally give our distributor their new construction business also."

To back up distributors by calling the attention of consumers to the plan, the company has placed advertisements, offering bathroom planning kits, in shelter magazines.

In addition to helping their customers sell, improving distributor relations and service, reorganizing the sales force, and similar efforts, companies are also searching for new sales approaches.

Of course, fast-stepping companies are always on the lookout for new ways to up sales. But during a business slowdown their hunting licenses are dusted off, and they really start covering ground.

Cues to More Sales

Run down this eight-point list of specific sales stimulants—all are being put to use right now—and see how many you could use in your company:

- **Make everyone a salesman**

To bolster sales and avoid layoffs, Ringsby Truck Lines Inc., Denver,

PLAN AHEAD

to Reduce Your Operating Costs

Brown Llama Calf, Cushioned-Arch Oxford . . . one of more than 90 HY-TEST SAFEty SHOES, OXFORDS and BOOTS for Men and Women in Industry.

When your "pencil is sharpened" and you are striving to arrive at the lowest unit price, isn't it true you find certain operating costs that *could* be lower? All too often such items as high employee absenteeism, increased compensation and growing insurance premiums *do* affect your selling price and permit the order to go to the other fellow.

There is an effective way to cut into such costs. That is to plan ahead . . . keep your employees "on the job" . . . keep them safe . . . see that they are protected from toe injuries and foot problems which are among the most prevalent of industrial hazards.

HY-TEST SAFEty SHOES has the Plan. It sells Foot Protection, Foot Health and Foot Comfort to employees. Once adopted it helps reduce absenteeism and compensation, permits you to enjoy lower insurance rates. You'll be able to put a sharper point on that pencil, too. Why not investigate today . . . write or wire collect.

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SAFEty SHOES FOR EVERY NEED

Release Capital . . .

Rent your fleet of trucks, trailers, equipment machinery, with or without maintenance. Write, wire or telephone.

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To reproduce a record permanently . . .

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The HUNTER PHOTO-COPYIST is the Modern Way

In 1958 B. C. the Babylonians made copies by pressing a hard clay roller, with raised letters, down on a soft clay tablet. But in 1958 A. D., the new Hunter Cub Photo-Copyist is the approved method. Only the Cub's truly photographic process, with image formed by a silver deposit, copies **everything.** No matter in what medium, on what surface or in what color, the Cub copies any mark on any paper. And Cub copies are permanent, non-fading, suitable for filing.

THE NEW HUNTER CUB is a handsome piece of office-equipment available in either satin finish stainless steel or Hunter green. Fits any desk. It's clean—no chemicals touch the operator. Hunter machines and papers are made in the U. S. by the American pioneer of photo-copying.

For Perfect Copies

With Auto-Feed (optional) correct alignment and registration are guaranteed and one negative can be exposed while another copy is being processed.

The Cub needs no dark room—works in normal light. With 20 minutes instruction, anyone can turn out a perfect copy in 30 seconds. At $195, the Cub is a photo-copyist that every office can afford, that no office should be without.

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I would like to have the Hunter Cub Photo-Copyist demonstrated. Please have your representative call.

Firm Name.....
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Colo. ($12 million sales), is putting on an unusual sales contest with drivers, dispatchers, and typists vying with regular salesmen to bring in new customers. Office staff people, dock and shop workers, and other behind-the-scenes employees are urged to sell their friends and acquaintances on shipping by Ringsby.

Vice President Gail H. Crawford says: "Prize contests for salesmen are nothing new at Ringsby or any other truckline, but our new company-wide contest is a unique plan to avoid layoffs. Completed blanks, representing new business secured by employees, are pouring in from all terminals."

By using a sliding scale (for each new account a billing clerk, for instance, gets 50 points and a salesman only 10 points), the contest provides every one of the 1,250 employees with a fair crack at the $3,000 in prizes. The employees are divided into three contest categories, each with its own set of prizes. In addition, there are prizes for each personnel category and for each terminal.

So far the contest has brought in about 1,000 new accounts for Ringsby as well as an increase in business from 1,200 regular customers.

The Western Union Telegraph Company, New York ($260 million sales), is also conducting an everybody-a-salesman program to encourage behind-the-scenes employees to talk up the various services, in addition to telegrams, that are offered by the company.

• Seek out new channels of distribution

Companies are increasingly alert to changes in distribution, which are occurring in many lines. For example, the S. C. Russell Company, Columbiana, Ohio, is getting distributors of appliances to take on its household windows and doors. Since distributors are also trying to maintain volume by diversifying, now is a good time to seek new distribution channels.

Because many lumber dealers are turning into general building supply dealers, the Yale & Towne Manufacturing Company, New York ($125 million sales), is looking for lumber yards as outlets for its hardware products.

This month the Reynolds Metals Company will launch the first aluminum awning sales campaign ever conducted in supermarkets. Described by Reynolds as "the greatest sales push ever put behind aluminum awnings," the campaign will make use of the company's staff of 175 consumer market salesmen, who will set up displays in supermarkets located in 50 major cities across the country.

As a point-of-purchase sales aid, packages of Reynolds Wrap aluminum foil (normally sold in supermarkets) will carry special advertising messages about the awnings.

- **Move into growing markets**

Both Reichhold Chemicals and Owen-Corning Fiberglas are making a special effort to woo the producers of plastic boats. They are the fastest growing segment of a growth industry, the pleasure boat business. In fact, plastic boats will account for about 20 per cent of the sales of new craft this year, according to best estimates.

The Trane Company, LaCrosse, Wis., is entering the residential air-conditioning market this year because, according to Trane president D. C. Minard, "when you consider that only about 2 per cent of the 35 million single-family homes in this country are centrally air-conditioned, the opportunity becomes obvious."

- **Conduct special promotions**

Busy as pitchmen, companies are promoting to a greater extent than at any time in several years. Promotion themes are as wide-ranging as the executive imagination can make them.

For instance, the Minneapolis-Honeywell Regulator Company, Minneapolis ($290 million sales), is currently investing $100,000 in a special promotion called "Project Warm-Hearted House." Aimed at the 20 million homeowners who have heating systems more than ten years old, the promotion involves a free dealer check-up of furnace systems.

In another unusual promotion, the Consolidated Sewing Machine Corp., distributors of the Swedish Viking sewing machine, is using home demonstrators to increase the sales of

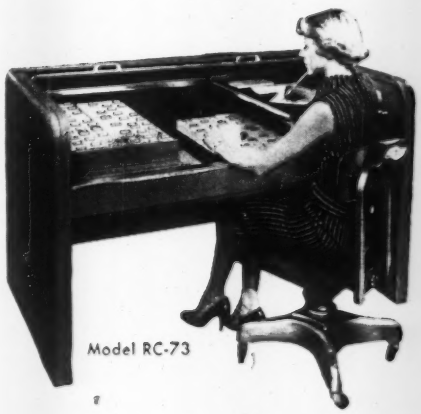
STANDARD ROL·DEX

for fast, economical record handling

records roll to the clerk!

SMALL volume record handling...The Rol•Dex, Jr., only slightly larger than a wheel file, has the advantages of much faster filing; greater capacity; variety of card sizes in the same unit; availabilty of records to outside reference. Designed for 2,000 to 12,800 records.

MEDIUM volume record handling... Up to 35,000 tab cards in model RL-73. Other models for 5″x3″ and 6″x4″. A compact work center with rolling work shelf for the seated clerk.



LARGE volume record handling... extra filing space in the RC-Series. Will house tab cards (horizontally or on end); 8″x5″ cards; 6″x4″ cards, 5″x3″ cards and MIB (2¼″x3″) cards.

Send coupon for free literature

Pat. and Pats. Pending

ROL·DEX

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Rol•Dex Division, Dept. D-4, Jamestown, N. Y.

Please forward literature on ROL•DEX Standard Units

Name _____ Title _____
Company _____
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When you ship, title passes, and your credit risk begins

At the time of shipping, you create an account receivable . . . and unless you have credit insurance . . . your insurance protection ceases. You lose control of the asset because title of the merchandise has passed. It is sound to insure your product while you own it . . . it is equally sound to insure it when your customer owns it . . . and owes *you* for it. Aggressive executives, through American Credit Insurance, continue protection of their working capital and profits invested in receivables. It is an important tool for constructive credit management. Our booklet on the many ways credit insurance contributes to financial security and sales progress should interest *you*. Write AMERICAN CREDIT INDEMNITY CO. of New York, Dept. 50, 300 St. Paul Place, Baltimore 2, Maryland.

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its portable models. The demonstrators do just that—but they make no sales. Instead, they refer prospects to the local Viking dealer.

According to the company, it is almost impossible to sell a sewing machine without a full demonstration first. But it is increasingly difficult to get prospects to dealers' showrooms to see the machine perform, hence the new promotion.

To promote the sales of its appliances, the Norge Division of Borg-Warner Corporation, Chicago, is using a trading-stamp plan for dealers and retail salesmen. Described as the first trading-stamp plan to be used in the industry on the non-consumer level, it provides a range of prizes for dealers who can lick their selling problems and paste the squares in their stamp books.

• Develop new products

To buttress their sales during a business slowdown, many companies add new, appealing items to their product lines. Recently, new products have been popping up faster than ideas at a brainstorming session. To name just a few:

- The Delco Division of General Motors has come up with an auto radio that can be lifted out and used as a portable.
- Sylvania Electric Products Company recently announced a console television that will come apart to double as a portable.
- American Motors has introduced a new smaller-wheelbase model to lure some of the heavy spending that's now going into foreign cars.
- Ford Motor Company recently announced the first heavy-duty truck line ever offered by the company. Ford explains that the heavy-duty truck market is expanding greatly and that the national highway program will give it an added push.

A recent survey of 400 industrial corporations indicated that they expect to get from 30 per cent to 80 per cent of their growth in the next three years from products not now on the market.

• Keep advertising strong

One of the most significant marketing developments in recent years has been the divorce of the advertising budget from the sales projection in many companies. During the

last recession, in 1953–1954, total expenditures for advertising moved upward while business volume declined. This had never happened before. Prior to that, the practice of budgeting advertising expenditures as a percentage of anticipated sales harnessed the two together like a horse and wagon.

Most of the 50 surveyed companies expect to spend as much for advertising this year as last, or even more. A recent survey by the National Industrial Advertisers Association indicated that most industrial advertising budgets will be larger this year.

The DR&MI survey indicates that companies are substituting hard-selling product information in their advertising for the soft-sell institutional copy used in recent years.

• Turn the slowdown to your own advantage

Many companies are stressing the cost-saving features of their products as a way to relieve the cost-profit squeeze. For instance, at the Dictaphone Corp., New York, salesmen are frequently reminded of this sales approach and are backed up with sales promotion ammunition and an undiminished advertising program.

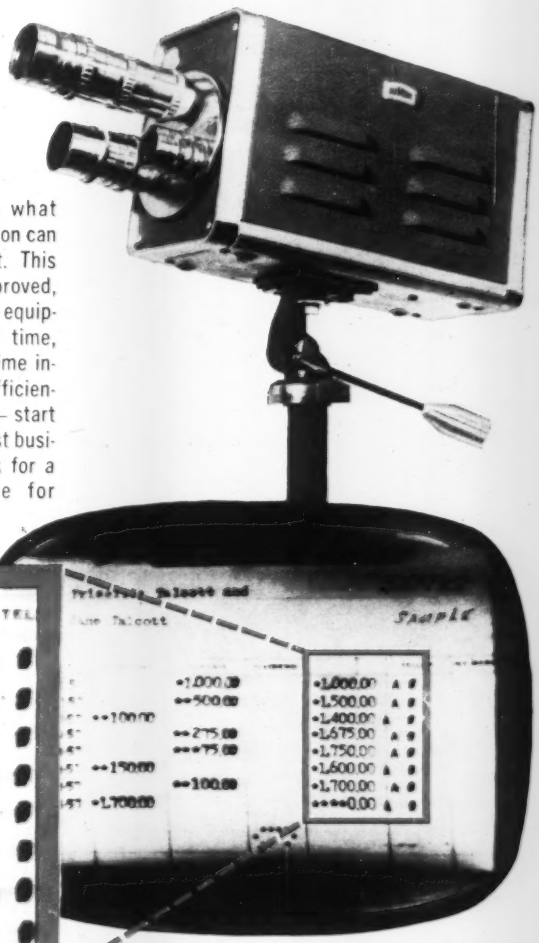
• Stimulate personal selling

Across the nation companies are stressing the importance of more personal selling. They are intensifying training programs for salesmen and insisting that more calls and contacts be made.

And salesmen are taking the message seriously. This is indicated by data just released by Emkay, Inc., Chicago auto fleet leasing company, which keeps track of the average use of cars leased by industry. In the past few months, Emkay reports, the average mileage of salesmen's cars has been running about 20 per cent above the year-ago level.

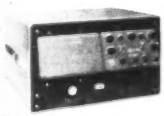
But whatever the methods they may use to lift sales, companies are increasingly aware of the importance of not concentrating on volume at the expense of new profit. For they realize that, however large the initial inflow, success or failure depends on how many dollars stay with management down to the finish line. END

seeing is believing



You really have to see what **Du Mont** Industrial Television can do for you to believe it. This equipment is packaged, proved, ready-to-operate business equipment that can save you time, money and at the same time increase your operating efficiencies. Don't waste time – start benefiting from this newest business tool right away. Ask for a demonstration and see for yourself...

Unretouched photo of Du Mont IT in bank installation, showing statement reproduced on picture screen. At left, actual size of figures on 8" screen.



Control equipment for all systems—simple or most complex.

Remote camera control for side-to-side or up and down viewing.

Two complete camera systems offer the right one for your needs.

Picture monitors in many sizes—up to 27" screen size.

IT CLOSED CIRCUIT DU MONT

Industrial Television Division, D358
Allen B. Du Mont Laboratories, Inc.,
Clifton, N. J.

☐ Arrange a demonstration at my convenience ☐ Send complete details

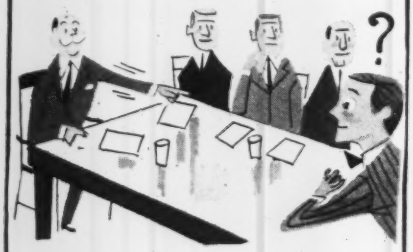
Name_____

Company_____

Address_____

Here's how Cook got off the hook!

OR, SEEKING SITES SUCCESSFULLY WITH GPU *Site-Service**



Monday:
9:30 – The Board of Directors
decided to move:
"A plant site we seek, Cook.
Go get in the groove!"

10:30—Woe is me! What a spot!
What *am* I to do?
But wait, here's a thought!
I'll call GPU!

Tuesday:
9:00—At nine the next morning
arrived a brochure.
With all the right data, of that
I was sure.

Full facts about sites and water
and labor;
Railroads, resorts and who'd be
my neighbor.

10:00 – Reported to Board,
presented the story;
They all cried, "Great work!
You're covered with glory."

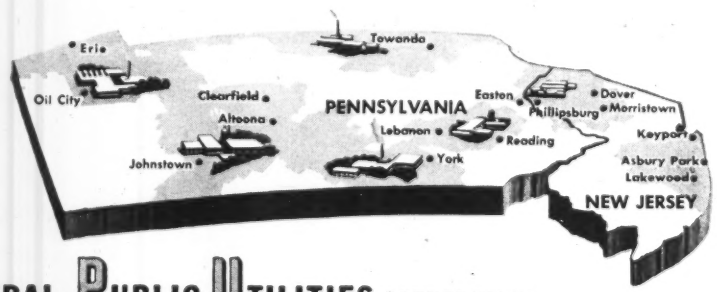
So that's why, my friends,
I'm singing the praise
Of *Site-Service*. Use it!
It certainly pays!

* ***First in the Field with the Facts!*** The one central source of plant site information for nearly half of Pennsylvania and New Jersey.

FOR A GIANT STEP towards your own successful site-seeking, write, wire or phone today for location information applicable to *your* industry, *your* company.

GPU ELECTRIC POWER COMPANIES

Metropolitan Edison Co.
Pennsylvania Electric Co.
New Jersey Power & Light Co.
Jersey Central Power & Light Co.



GENERAL PUBLIC UTILITIES CORPORATION

Att: Wm. J. Jamieson, Area Development Director
67 Broad St., New York 4, N. Y. • Telephone WHitehall 3-5600

DR-1

GETTING THE CASH FROM YOUR OVERSEAS SALES

ALEXANDER O. STANLEY

Foreign government controls may affect the course of your export business. Here's how they work in twenty key markets today and how they may affect trade in the coming months.

DON'T BE SURPRISED if within the next few months an old bugaboo —the dollar gap—appears again and is added to the assortment of worries plaguing international business.

In the past, quick expansion in the spread between U.S. exports and imports had a side effect on overseas exchange restrictions and import controls. This usually took the form of tightening regulations, which made it tougher to sell and tougher to collect on dollar shipments. There is no reason to believe that this pattern will vary in the future, so coexistence with foreign controls must be accepted as integral to foreign sales programs.

To the newcomer in the international field, these foreign government controls may seem an incalculable risk—and one to shy away from. But to the case-hardened export executive, they are an accepted part of the daily business of getting goods to overseas markets. Before you scrap plans for starting or broadening sales overseas, examine the problem in all its dimensions.

Exchange restrictions and import controls may temporarily inhibit sales abroad, but they also act as a fuse that will prevent an overload of sales to depressed areas. When countries can't earn enough dollars, directly or indirectly, because of slack sales or thinning prices in world markets, it is better for them to budget than to go bankrupt.

Import, export, and exchange controls are nothing new. As far back as 1925, Portugal, the first nation to do so, adopted regulatory measures. But the system of managed international trade first became popular in the depression years of 1930 to 1932 when it spread through Latin America. Ten of the 27 countries or colonies in this area, including the ABC markets (Argentina, Brazil, Chile) put some kind of controls into effect at that time. Today they still operate under a regulated system of currencies and trade. With the outbreak of World War II, this practice became almost world-wide. Today it's a rare market that's free of this device. If a control system is not in force, you can be sure there's one on the legislative books, ready to be installed at a moment's notice.

The flexibility of the system with its infinite variations can be a headache to the executive concerned with overseas trade. But some method of orderly marketing procedure is better than none. And in the long run insulated markets are less a problem than insolvent markets.

Long-Term Tools

Trade agreements involving quotas and tariffs can actually be negated by currency controls, for these controls can be a powerful, insidious weapon in the hands of a government on the hunt for better bargains in world channels of trade. But, overall, it's the defensive character of the controls that has been stressed, rather than their usefulness in contriving short-term trade advantages.

The constant pressure for more goods to satisfy the needs of a growing population in the United States has been reflected throughout the world. Viewed in terms of absolute dollars (without weighting for currency depreciations and price appreciations), our exports and imports have developed tremendously.

Let's look at the statistical side of the picture. The 1936–1938 average outflow of goods ran at a modest level: $2.925 billion. An explosive expansion took place during the war years, from 1939 on, activated by the voracious demands of armies on the march and the wholesale destruction of cargoes on land and sea. Exports reached an unprecedented level of $14 billion by 1944. At first, there was a sharp retreat from this crest. Then, from 1945 until the Korean involvement, exports vacillated, with the mean average hovering near the $12 billion mark. This seemed to be a new base for exports, and it held until 1955 when the level began to rise, regaining a volume of $14 billion plus in 1955. New highs of $17 billion and $19.5 billion were tallied for 1956 and 1957, respectively. (For a more accurate trade pattern, military exports have not been included in these figures.)

Our imports, which are the primary dollar producers in some 76 key markets of the world, have shown an almost constant and, in

some cases, dramatic expansion during the past 21 years. From an average of $2.5 billion annually in 1936–1938, they rose steadily to the level of $8.7 billion in 1950. The $10 billion mark was exceeded in each of the next four years. By 1957 imports had reached a crest of $13 billion.

But the moot point is the spread between exports and imports, known as the balance of trade. The profit we make in our world exchange of goods can be a problem to the extent that it affects the ability of countries to pay. Considering only net merchandise exchange, the last time we had a "deficit" balance (that is, excess of imports over exports) was back in 1893. During the past decades, "surplus" balances have fluctuated between $250 million and $5 billion. But in 1957 our exports raced ahead of imports by $6.5 billion. Compare this with the 1956 "surplus" of $4.7 billion, and the current worry about the dollar gap begins to take on the substance of a real problem.

In the case of individual countries, the "deficit" has been offset or reduced by net income from travel, transportation, and services. Loans, grants, and capital investments inflow have also helped to bridge the gap, at least temporarily.

More Controls Coming

But what if these secondary sources of income or dollar inflow are pinched as a result of the current doldrums? Recent headlines, such as EUROPE GOLD STOCK DEPLETED IN 1957 and FALLING PRICES ABROAD, MEAN TROUBLE, reflect some of the jitters besetting international business today. From this recent drift we can guess that a step-up in bulletins reporting tightening regulations abroad is inevitable. They will have to be watched for carefully.

But even though the statistical aspects of overseas trade are bleak, there are other considerations to be counted and weighed. These may influence heavily the thinking of fiscal authorities abroad and soften the final tone of revisions in existing regulations.

Forecasts for 1958 by the National Foreign Trade Council, Balance of Payments Group, spell out only a mild drop in the important dollar-producing items. Here is what we can expect this year compared with what happened in 1957 (figures are estimated for 1958 and provisional for 1957):

Earned overseas from U.S.	1958 (in billions of dollars)	1957
Imports	$12.6	$13.2
Travel, transportation, misc. services	3.5	3.6
Income to foreign holders of U.S. securities	0.7	0.7
Military expenditures	3.0	3.2
U.S. Government aid and transfers	1.8	1.8
Private transfers (net)	0.5	0.6
U.S. private capital investments abroad (net)	2.5	3.0
Government loans and short-term assets	1.0	1.1

All this adds up to the expectation of a thumping $25.6 billion to be delivered abroad this year, down just $1.6 billion from 1957. Described as staying close to the 1956 "plateaus," the outlook for 1958, based on these forecasts, is good indeed.

And the drain on dollar accumulation through payments for U.S. exports is expected to be lighter by $1.3 billion. This means, of course, smaller sales for U.S. companies.

But the race for investment dollars is accelerating as more and more countries liberalize investment laws to attract foreign capital, especially U.S. capital. And once plants have been built, the machinery for manufacture must be installed and the supply bins and shelves must be filled with materials to feed the new assembly lines. It can be expected that import channels will be kept open for such essential goods.

Cutbacks abroad in several areas of metals should reverse the decline in prices. And in some commodities, specifically wool, thin inventories at converters' levels promise improvement in the price structure as well as in the volume of sales. Efforts to institute a more orderly marketing procedure for coffee and to broaden consumption through extensive world campaigns may pull this commodity out of the doldrums and improve the inventory situation, which now burdens producers and distributors.

Terms of trade create a cushion that can help keep maturing debits (through exports) in a rough if temporary balance with cash credits (through imports). Traditionally, our imports are sold to us on short or cash terms, but an appreciable

HOW THE 20 KEY OVERSEAS MARKETS COMPARE
in their U.S. trade and exchange balances

(data are in millions of dollars and cover first nine months of each year)

	U.S. exports* 1957	U.S. imports 1957	Net Balance to designated countries 1957	1956
Canada	3,005.0	2,155.7	−849.3	−797.8
Japan	964.9	440.2	−524.7	−170.8
United Kingdom	825.8	564.7	−261.1	− 75.2
Venezuela	718.9	683.7	− 35.2	+ 41.0
West Germany	716.6	429.8	−286.8	−182.4
Mexico	652.6	316.6	−336.0	−301.9
Italy	505.9	177.1	−328.8	−223.0
France	482.8	194.1	−288.7	−231.0
Puerto Rico	463.8	321.8	−142.0	−138.0
Cuba	441.4	389.4	− 52.0	+ 20.3
Netherlands	432.7	119.5	−313.2	−280.6
Brazil	345.6	483.7	+138.1	+367.6
India	339.8	161.6	−178.2	− 14.2
Belgium & Luxembourg	318.4	211.2	−107.2	− 78.1
Philippines	273.1	209.8	− 63.3	− 25.3
Argentina	221.8	102.9	−118.9	− 42.8
Korea	210.3	3.4	−206.9	−114.4
Union of South Africa	208.6	79.5	−129.1	−119.1
Switzerland	185.2	122.9	− 62.3	− 33.9
Colombia	167.2	284.2	+117.0	+ 73.5
Total, 20 countries	**11,480.4**	**7,451.8**	**−4,028.6**	**−2,326.1**
Total, 76 countries†	**14,548.5**	**9,910.1**	**−4,638.4**	**−2,588.9**
20 countries, percentage of total	**78**	**75**	**86**	**89**

*Data excludes special category exports.

†Data excludes Soviet bloc.

NOTE: All countries in **bold type** now operate within the framework of the Common European Market.

SOURCE: Bureau of Foreign Commerce, U.S. Department of Commerce.

▲ **Missile components.** Space Age warfare must be conducted on down-to-earth costs. So missile designers and production men call for missile components produced by *Hackney Deep Drawing Method.* This method reduces weight without sacrificing strength, saves assembly time and reduces production costs. Often improves product appearance.

▲ **Lift truck cylinders.** LP-Gas power for lift trucks saves money. Many lift truck users are converting to LP-Gas—using Hackney lightweight, removable cylinders—noted for safety, convenience and for easy handling.

Double-bottoms. New Hackney LP-Gas Cylinders are made with double bottoms to end attacks of rust and corrosion in the area of greatest wear. It also is easier and cheaper to maintain and repaint these new cylinders. ▼

Shapes that reduce the cost of production, fabrication and service

Steel barrels and drums. Hackney containers—smooth, crack-free, easily handled—are designed to cut costs for handling a wide variety of products. Available in steel, stainless steel, nickel...with or without covers... straight-sided or bilged. Meet various ICC specifications for chemicals, oils and foods.

Double-barrel tank trucks—for double-barrel attack on LP-Gas bulk delivery costs. Basic design and quality construction make even the lowest priced models efficient, safe trucks for fast, profitable delivery of LP-Gas. Available in capacities, conveniences, prices to meet all your delivery route requirements.

Still fabricating "first"! Downingtown Iron Works Division pioneered in building this highly efficient, welded carbon steel ammonia still. Weighed 60,000 pounds! Close tolerances were required on all parts: risers, riser slots, bells, trays and weirs. We're proud of our engineers and welders!

Pressed Steel Tank Company, 1465 S. 66th St., Milwaukee 14, Wis.

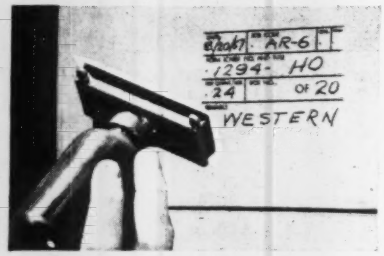
Pressed Steel Downingtown

Hackney MILWAUKEE — DOWNINGTOWN IRON WORKS

Manufacturer of Hackney Containers for Gases, Liquids and Solids

Heat Transfer Equipment
Steel and Alloy Plate Fabrication

Fast, Low Cost way to SPECIFY CARTON CONTENTS



With die-impressed STEN·C·LABLS

Time-consuming, repetitive writing is eliminated when you use die-impressed Sten-C-Labls to specify contents of your cartons.

Make as many imprints as needed direct to carton

We die-impress the Sten-C-Labls with the basic form your procedure requires, according to your specifications—model number, size, weight, color, etc. Your stock clerk then fills in the variable information with regular typewriter, special typewriters equipped with large letters or ball point pen. Clerk can make as many imprints as needed *direct to package*, neatly and legibly for easy reading.

Easy way to make substantial savings

STEN-C-LABL marking method replaces rubber mats or chop-out stencil methods—makes it easy to change from one marking job to another. The flexibility and speed of marking with STEN-C-LABLS can make substantial savings in time without investing in costly equipment.

Write for free sample

of die-impressed STEN-C-LABLS showing how other companies have simplified their marking procedures this easy, low-cost way.

STEN·C·LABL, Inc.
Dept. DR-3, 2285 University Avenue
St. Paul 14, Minn.

Please send FREE SAMPLE of die-impressed STEN-C-LABL for specifying carton contents.

Name_____

Company_____

Address_____

City_____ State_____

IN CANADA: WEST EQUIPMENT CO.
1010 Lakeshore Road • Toronto 14, Ontario

volume of exports go out on credit, with payments due in 30 days to 180 days. This time lag may be especially important this year, since it may coincide with the expected pickup in domestic business, which usually means a pickup in our imports.

Here, then, is the case for only a moderate tightening of controls in international trade in the months ahead.

What to Watch for

How will your plans be affected? While it is difficult to be specific about the repercussions, in the main this is what you can expect:

- If your products luckily fall in the so-called essential categories—capital goods for new or established industries, replacement parts, and supplies to keep the assembly lines functioning—you can expect the same preferential treatment from most overseas markets as in the past. Overseas shipments of industrial supplies and materials have grown almost continuously since 1954. Within the composition of outward bound cargoes, *this broad category made up more than 45 per cent of all 1957 U.S. exports.*
- If your products fall within the definition of luxury or semiluxury or nonessential goods, you had better give some thought to the possibility of developing production facilities within the borders of your important markets abroad. You don't always have to move whole plants bodily to these areas. Look at the facilities that already exist: perhaps these can be modified, enlarged, or extended. Also, consider the possibility of license agreements. But take your time. Keep in mind that the complexion and requirements of each market vary. What may be termed nonessential in one area may well be in the acceptable category of other areas. Also, remember that some appreciable proportion of the $10 billion worth of U.S. exports (55 per cent in other than industrial products and supplies) includes a wide range of nonessential items.

Get to know the basic pattern of the control systems and the techniques practiced by control authorities. These run the gamut in variety and ingenuity, but it is only when the pattern is radically changed that there's need for worry about your sales and credit position.

To develop a checklist would seem a solution, but unfortunately the passage of one seemingly innocuous regulation can rob all other controls of substance. To illustrate, an edict can create a partial free market in foreign exchange—which, on the face of it, would seem a favorable development. But if the volume of available dollar exchange is kept deliberately low, as has happened in some instances, dollar quotations would jump prices on imported products sky-high. The result: lost customers and lost markets. In contrast, seemingly tough controls often provide ample latitude for trade development. So be sure to examine each country's revisions within the framework of all controls in effect.

Some of the Controls

Here are some of the basic types of regulations you will encounter. They are taken out of the context of the statutes to which they belong to illustrate the wide range of controls practiced. This capsule analysis will at least prepare you for some of the complexities of doing business abroad. And since 78 per cent of our export activity is confined to twenty markets (including Puerto Rico, which has Commonwealth status within the United States), it is worth while looking at this group first to see what is contained in the way of booby traps for the unwary exporter.

CANADA: Far and away our principal trading partner, usually accounting for around $1 of every $5 we sell abroad, Canada has no foreign exchange restrictions. Until now it was possible to trade freely. But a measure passed in 1954 established controls over exports and imports. Not applied as yet, this control takes on new significance in the light of Canada's recent complaints against several restrictions—especially on oil—that we have imposed on their products.

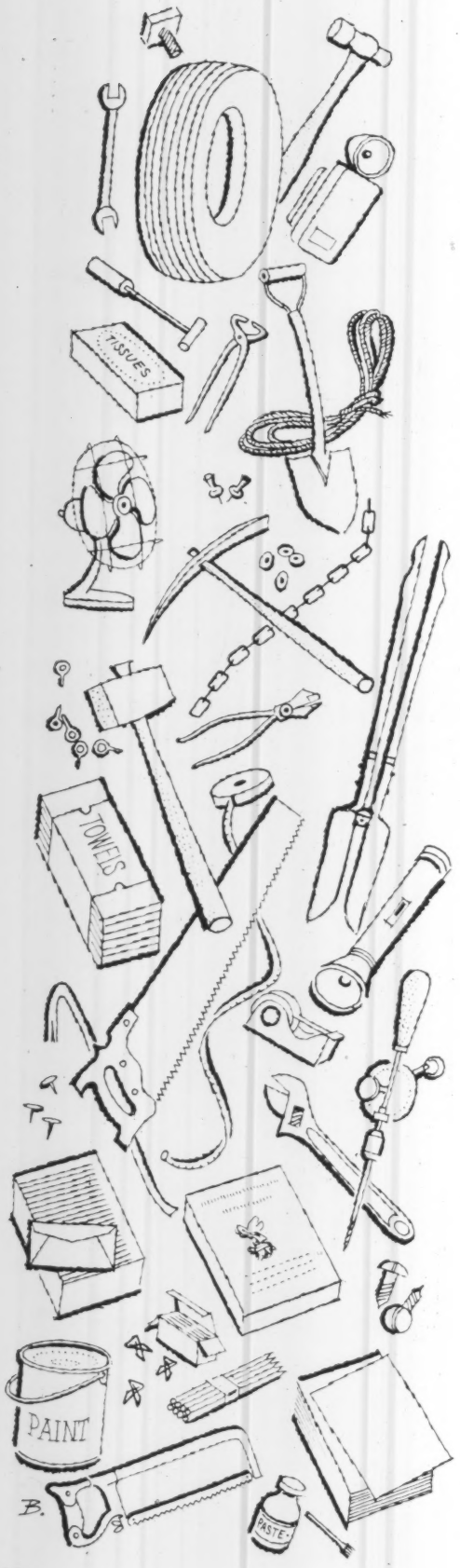
JAPAN: A fat and growing deficit in the trade exchange with the United States makes Japanese controls seem comparatively moderate. A semiannual foreign exchange budget determines not only the commodities but also the volume of those commodities that may be imported. But if an import license (allocation certificate) is obtained, this means that the dollar exchange will be earmarked, and you don't need to worry about exchange licenses. A second

MAGIC FORMULA FOR MANAGEMENT CONTROL!

Meet another new management control tool—the Burroughs Typing Sensimatic Accounting Machine. It works like magic to keep close tab on your descriptive accounting data, to process them accurately in any volume and deliver them the instant you need them for your fast-paced decisions and actions. See the Typing Sensimatic's high-speed, jam-proof typing firsthand. See its great number of completely automatic operations and its versatility in switching from job to job at the flick of a knob. Call our nearby branch for a demonstration and full details. Burroughs Division, Burroughs Corporation, Detroit 32, Michigan.

BURROUGHS TYPING SENSIMATIC

Burroughs and Sensimatic—TM's.



Why does Western Electric purchase supplies* for the 21 Bell telephone companies?

Telephone company requirements are similar. Thus, standardization and centralized purchasing cut costs, improve quality, make for better telephone service.

**In 1957, we purchased material and supplies from nearly 33,000 other companies – 90% of them "small business" with less than 500 employees: total value, $1¼ billion.*

Western Electric

MANUFACTURING AND SUPPLY UNIT OF THE BELL SYSTEM

major control, defined as the "automatic approval method," is available to importers and is based on their traditional purchasing patterns. It preserves import continuity to some extent, even though the quotas are re-examined periodically.

UNITED KINGDOM: No. 3 on our list of export markets, the U.K. keeps a constant vigil over its imports. These require either a specific or a general open license. As a rule, dollar exchange is automatically granted for authorized imports, although an exchange permit is needed. Be sure your shipment not only is covered by a license but will fall within the time limit set by the license. Extensions of licenses are not granted automatically. A full explanation of delays in completing a transaction is required, and woe to you if you overlook the deadline! Confiscation of your goods can be the result. Since foreign exchange resulting from U.K. exports must be officially surrendered, the government is the final arbiter of what is essential.

VENEZUELA: Floating on an oil economy, Venezuela has had an ample supply of dollars and has spent them freely. No import or exchange restrictions exist, except for some 25 special categories reserved for the national government. But with the political leadership still unresolved since the overthrow of the Perez Jimenez dictatorship, it would be wise to keep a vigilant eye on developments in Venezuela.

WESTERN GERMANY: Controls on both imports and exchange exist, but they are very much on a stand-by basis. More than 90 per cent of all imports are free, and dollar exchange is readily available. At this time, the forecast reads, "Trade visibility unlimited."

MEXICO: No restrictions exist on foreign exchange for permissible imports, and at the moment importers are readily purchasing dollar exchange in the open market. Control is exercised through duties and a classified list of imports on which licenses are required. This list is changed periodically. Outwardly the import climate is good, but a slight overcast has been developing with the tendency of Mexican business men to hoard U. S. dollars as a hedge against possible devaluation of the peso, even though remote.

ITALY: Encouraged by its burgeoning economy, Italy has exercised only light controls on its trade with us. Imports from the United States are loosely classified in two major groups: (1) the so-called "List A" imports against which any importer can quickly obtain dollar exchange, and (2) those subject to license, which means all commodities not in the "List A" category. The "List A" regulation has, in effect, liberalized 70 per cent of the imports from the United States since June 1957.

FRANCE: The import picture is somewhat more confused than in other areas of Europe, possibly reflecting the constantly shifting French political scene. In the closing months of 1957, almost all imports and exports were made subject to a 20 per cent surcharge or premium. This meant that the conversion rate of the franc was in actuality set at 420 francs to the dollar, making imports more costly. Several months before that, the automatic license on imports was suspended. Now all imports from the United States are subject to specific license. With its trade deficit climbing, the immediate outlook for any relaxation of controls in France is poor.

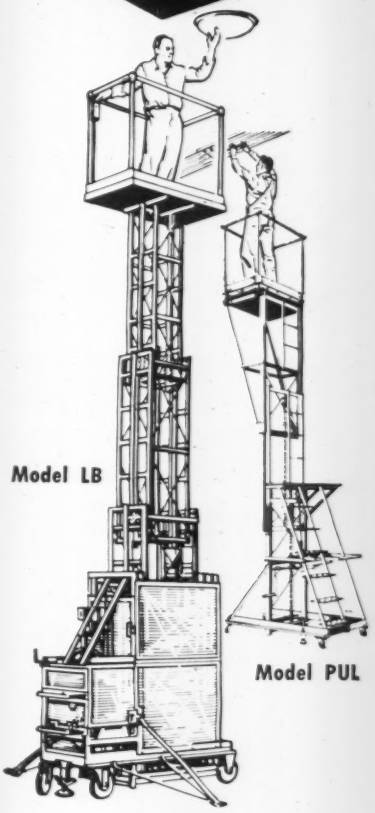
PUERTO RICO: This fast-growing market poses no present control problems for us, since it enjoys U.S. Commonwealth status and its currency and citizens are part and parcel of the United States.

CUBA: With U.S. dollars circulating along with the Cuban peso, this is an island of convertibility in a world of currency controls. Except for certain commodities subject to import quotas, Cubans are free to buy what and how much they choose. There is one jarring note: the armed rebellion against the Batista government that has been going on for months.

THE NETHERLANDS: Starting with tight restrictions at war's end in 1945, the Netherlands has gradually eased these until today import licenses, though still required, are freely granted. And quantitative restrictions on a long list of commodities have been removed. While exports are licensed, the dollar remittances from sales can be retained by the international trader and are almost freely available for buying what he wishes, within limitations imposed by licenses.

BRAZIL: Although Brazil has been

90% of overhead servicing can be done faster and safer with these ECONOMY Hi-Reach Telescopers!



Model LB
HI-Reach Telescopers
Four heights 20 ft. to 35 ft.
Standard Models from $1510.00 up.

Model PUL
Three Standard Models

No. 1 — Lift 10' 9" **$370.00**
No. 2 — Lift 11' 9" **$390.00**
No. 3 — Lift 15' 0" **$400.00**

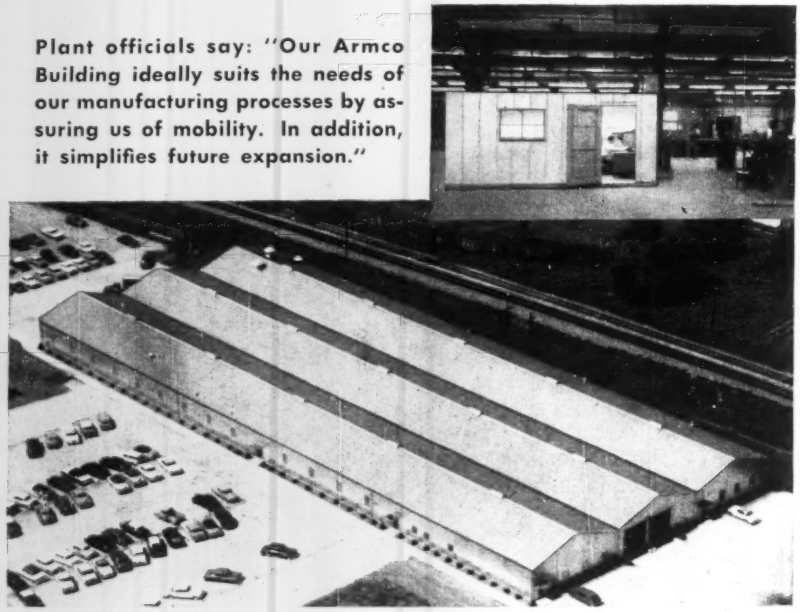
Rubber tired wheels $10.00 extra
F.O.B. Chicago

Custom built Hi-Reach Telescopers up to 100 ft. Write for complete catalogue. Economy Engineering Co., 4516 W. Lake St., Chicago 24, Ill., 342 Madison Ave., New York 17, N.Y.

ECONOMY ENGINEERING

Minneapolis-Honeywell chooses an Armco Building for its new plant

Plant officials say: "Our Armco Building ideally suits the needs of our manufacturing processes by assuring us of mobility. In addition, it simplifies future expansion."



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a big dollar earner (primarily through coffee exports) for years and is one of the few countries enjoying a favorable balance of dollar trade, it has been one of the toughest markets for U.S. trade in respect to exchange. Import licenses are the smallest problem. It's more the complicated procedure for getting dollar exchange. The system is to put up dollar exchange, in the form of "dollar certificates," at auction, with a floor on minimum bids and amounts available for different products and a ceiling on how much can be bought. The certificates are issued in denominations of $1,000 and $5,000 (mostly the former), and the maximum any bidder can acquire at any auction is $50,000 in certificates. Occasionally higher quotas can be obtained by submitting voluminous proof of necessity. At this writing some 45 different rates of exchange prevail under the auction system. It's a "free" market, and devil take the hindmost. But since the involved business of getting dollar exchange certificates is up to the importer, at least you will be spared the cumbersome details of finding ways and means to get dollar payment for your shipment. Despite the effect this system must have on the final retail prices of imported goods, and the discouragement it must be to the importer of any but so-called essentials, Brazilian importers bought 59 per cent more U.S. products in the first nine months of 1957 than in the comparable 1956 period. And this jump took place even with a drop of 17 per cent in exports to the United States.

INDIA: Controlling imports through quotas, licenses, and outright prohibition, India at least eases the strain of paperwork for importers by providing automatic access to dollar funds once the import regulations are satisfied. Licenses are usually granted to established traders on a quota basis (determined by previous volume of purchases), but new traders can apply if the import has merit. In the first nine months of 1957 our exports to India were almost double those of 1956. Unfortunately, our imports did not keep pace; in fact, they stayed almost unchanged. The consequences have been painful. The trade deficit in the period under review jumped from $14.2 million to a staggering $178.2 million. The repercussions from this

twelvefold increase in trade imbalances are bound to show up soon, although the impact of the drain on dollar reserves may be softened by recent loans.

BELGIUM AND LUXEMBOURG: This first of recent European economic combines maintains a comprehensive system of controlling imports, exports, and exchange. Both special and general licenses are issued to individual companies or industrial groups, which makes possible one or a series of transactions. And because the authorities publish lists of goods subject to license—these lists are modified from time to time—the importer at least has some prior notice of what he may import with or without license.

THE PHILIPPINES: Mounting trade deficits explain the controls in depth exercised by the Philippines. Imports are on a quota basis, with allocations governed by previous activity. Those fortunate enough to qualify are held within strict limits as to the kind of commodities they may import (they must stay within the assigned line or lines of business) and the volume, which depends on a prorated share of foreign exchange, available intermittently. There is every likelihood that restrictions will continue tight and may even be tightened in coming months.

ARGENTINA: A mounting imbalance of trade harbors further complications for export sales to this country, plagued for years as it has been with internal and external fiscal problems. The fact that U.S. exports to Argentina jumped 47 per cent in the first nine months of 1957 with no offsetting gain in imports spells more controls over international trade. Right now, only legally registered importers are permitted to clear goods through customs, and they are required to put up peso deposits ranging from 20 per cent to 100 per cent of the FOB value of the merchandise. This puts a tremendous premium on working capital for the importer. While an unrestricted free exchange market was created several years ago, imports are actually controlled by classification into three categories, one of which eliminates the need for prior exchange permit by payment of special surcharges of 20 pesos to 40 pesos per U.S. dollar. Imports are subject to reclassification, and only those on the list are permitted. Import conditions will

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KOREA: This is a special situation involving politico-military considerations that make any evaluation elusive from a purely trade standpoint. Basically imports are categorized as "regular" or "special." The "regular" group includes certain consumer goods, essential raw materials, and industrial equipment, which may be imported either with foreign exchange purchased from the government or with export earnings. "Special" items are some 40 less essential commodities, which may be imported under a "linking system," that is, by means of foreign exchange earned from exports. The 73 per cent gain, to the level of $210 million, in our exports in nine months of 1957 over 1956; the minuscule U.S. imports of $3.4 million; the trade imbalance of $206 million, all these factors suggest that you lay down your exports and take your chances in Korea.

UNION OF SOUTH AFRICA: Comparatively simple as control systems go, the Union seems more influenced by statistical considerations than controls in retaining its system of import licenses, especially on imports of capital equipment and raw materials. Import permits automatically cover the buyer for his exchange requirements. While quotas are established on importing consumer goods, these have been substantially increased for the 1957–1958 period. And after the welter of controls evident in so many countries, it's a relief to find only one type of license, identified as "G," which covers all classes of goods.

SWITZERLAND: A breath of fresh air is encountered in this stronghold of hard currencies. Restrictions on trading in U.S. dollars were abolished in September 1949. Import licenses are required for only about one-third of U.S. goods.

COLOMBIA: The political uneasiness in Colombia sets the pattern for the shifting regulations exercised on international trade. While controls are complex, at least a free market has existed in foreign exchange for about six months. Here again, the "certificate" technique is used to provide for trade payments and liquidation of certain visible and capital transfers. But except for specific listed imports that require only a 20 per cent prior deposit, most imports must have advance peso deposits of 100

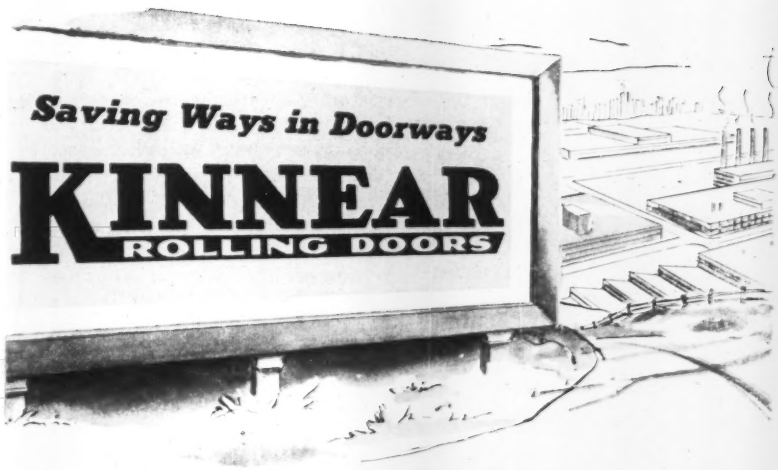
per cent. That this has strained working capital and discouraged imports is amply demonstrated. Our exports sagged 35 per cent in the first nine months of 1957, even though Colombia was one of the few "plus balance of trade" countries. Whether cause or effect, the fact remains that our imports dropped 13 per cent. With coffee prices still waning, not much change, except for the worse, can be expected.

Among the 56 remaining markets, which absorb 22 per cent of our exports, a variety of extremes also exists in present controls. They are too numerous to detail here, but current and complete data are readily available from the U.S. Department of Commerce, Bureau of Foreign Commerce, and from U.S. banks maintaining international divisions. Reading the bulletins may not be a pleasant chore, but it can help you reduce or avoid unpleasant repercussions.

In the final analysis, our export business has flourished in this era of controlled world economies. Perhaps without controls, it could have expanded even more. But in recent years, thousands of U.S. companies have made fat profits from export sales, proving that it is possible to operate effectively within the system of a controlled international trade.

Of course, new tensions are possible. The birth of the European Common Market, the new West Indies combine, the Central American economic merger, and the recently announced marriage of convenience between Egypt and Syria suggest new and complex problems in the offing. And the wavering economic indices in the United States also must enter into calculations of near-term developments. But in their own way exchange and import controls represent built-in props against severe economic readjustments. At the least, they are a "caution" or "go ahead" signal and should be watched for in the lanes of international trade.

NOTE: Acknowledgment is made to the Guaranty Trust Company of New York and Clifford R. Rohrberg, vice president, for making available the bank's "Annual Summary of Foreign Exchange Restrictions." This booklet, dated January 1958, was used as a basis for abstracting the data but not the forecasts on controls in the twenty key markets. The Guaranty Trust Company also publishes regularly a pocket-size booklet on foreign exchange restrictions, "Monthly Bulletin for Exporters and Importers," available on request to companies engaged in export and import trade.



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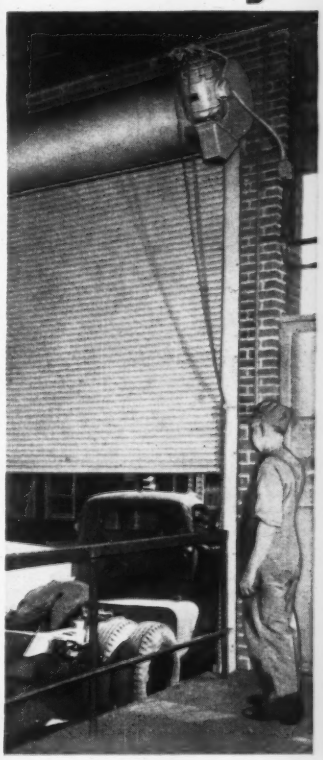

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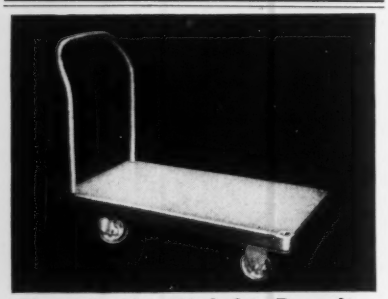

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WHAT'S AHEAD IN LABOR LEGISLATION?

continued from page 44

than as offices of trust. They don't want to see outright thugs and racketeers operate in the guise of labor representatives. And, very possibly, they won't take kindly to union coercion in the form of organizational picketing and secondary boycotts, when these and other practices take the spotlight in the McClellan hearings.

The public must know by now that the McClellan disclosures do not represent just isolated instances of malpractice. And it is not likely to be persuaded that there really is no need for firm measures to deal with union abuses simply because, after all, the investigation has also shown up some unsavory management behavior. If future hearings bring out more evidence of employer involvement in shady dealings, this ought to put still more steam behind the demand for legislative remedies, rather than diminish the evident indignation over bad behavior on the union side.

Will Congress Act?

But does all this mean that Congress will enact any far-reaching labor legislation in 1958? No. The chances are almost nil. The most that can be expected as things stand now is that one or two relatively ineffective "cream-puff" measures may be put through to show the voters something has been done.

The reasons are many. First, as we hear on all sides, "it's an election year." That seems automatically to clamp the lid on anything not absolutely essential that is on the controversial side—and labor legislation certainly is that. And the upcoming elections stymie action for an additional reason: Congress will adjourn early for the campaigning. There just won't be time for the kind of exhaustive committee hearings demanded by the great number of proposals that have been offered.

Another factor pointing to delay is the complexity of the issues. The public wants reform, but the solutions are not clear-cut. For example, how far should government inject itself into the internal affairs of trade unions in order to safeguard the interests of workers? Obviously, this is a question to be approached with great deliberation, since it involves in a fundamental way the role of government in our society.

Again, Congress is necessarily preoccupied with missiles, national security, and education, as well as the need to keep a watchful eye on the health of our economy. Sputnik forced the McClellan investigation down a big notch in the public consciousness. It may never regain the head of steam it had in the early phases of its probe of the odoriferous Teamsters.

But the single biggest obstacle to legislation this year is still organized labor's ill-defined, yet widely feared, power at the polls. Despite the severe setbacks in public esteem that the unions have suffered from the McClellan committee's revelations, *the plain fact is Congress is still disposed to treat organized labor with kid gloves.*

Specifically, if anything is passed this year, it may take the form of legislation:

- requiring unions to register and file annual statements on welfare and pension plans with a Federal agency and meet certain other requirements,
- requiring that union financial reports and other information already being reported to the Labor Department under the Taft-Hartley law be made public, and
- requiring unions to follow democratic procedures in the election of officers and determination of basic policy questions.

How Much Help This Year?

While there are varying degrees of merit in Government action in each of these areas, plenty of informed management men feel that such measures offer no solution to the basic problems of union strong-arm tactics and abuse of power. For example, they doubt whether an elaborate system for filing reports on welfare and pension operations with the Labor Department will be an effective way to cope with the unscrupulous operators who have so wantonly milked these funds.

Similarly, there is some question whether merely making public the financial data and procedural information unions must already file with the Labor Department will accomplish much. The superficially attractive idea of public disclosure—the

"goldfish bowl" approach to rooting out malpractice—may not do the job if it takes the form of Federally administered disclosure through agencies remote from the problem area.

As to the third item, everyone is for "union democracy." Realistic measures designed to insure it certainly deserve support. But, again, few informed business men are persuaded that laws requiring periodic election of officers, secret ballots on key union decisions, and the like, will make much difference. Where unprincipled toughs have bullied their way to control in an organization, abetted by membership apathy or docile obedience to the local brass, they would probably have little trouble retaining their power and complying with whatever procedural forms are imposed.

Placating the Public

What really recommends such measures to Congress is that they offer a ready means of assuaging the public's desire for action, without risking serious labor opposition.

If proposals like this are adopted alone, not as part of a more comprehensive package, then the chances that the lawmakers will get down to grappling with the issues of most urgent concern to management look dim—this year or next.

The line between "clean-up" or reform measures like these and ones aimed at restraining union power and remedying shortcomings in the rules governing labor-management relations must again be stressed. Devising ways to protect organized wage earners from the predatory proclivities of future Dave Becks is clearly a worthy undertaking. But most seasoned industrial relations executives think that the basic problem is one with far more serious manifestations and implications.

The need, as they see it, is for a better statutory balance between labor and management rights. Here are some of the principal legislative areas where business has been working for changes:

● The Taft-Hartley Act's supposed prohibition of secondary boycotts is so riddled with holes that it offers relatively little protection against this favorite union weapon. In case after case, unions have successfully applied pressure on employers who were in no way involved in any dispute with the union except that they

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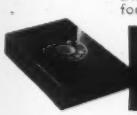

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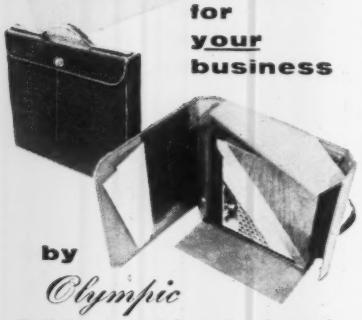

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were doing business with the firm against which the union was directing its fire.

- The Taft-Hartley Act was never construed to bar organizational picketing, another popular instrument of union coercion. The NLRB recently ruled against *recognition* picketing, where the obvious purpose of the union is to compel the employer to bargain. But *organizational* picketing, where the ostensible purpose is to induce employees to sign up rather than to compel the employer to capitulate, still has not been prohibited. Actually, for practical purposes, the two forms of picketing differ in name only. Both, employers think, should be categorically proscribed by law.

A Double Standard?

- Labor unions are not touched by our antitrust laws, except where unions and employers jointly engage in monopolistic activity. Employers have argued in vain that modern organized labor has the power to shut down whole industries, cripple vital services, and impose conditions that influence pricing and important trade practices. Unions, in this view, are in as good a position to act "in restraint of trade" as are employers and, in the public interest, should be subject to similar restraints.
- Unions in politics is another area where employers seek more balanced legislation. Despite the prohibition in the Corrupt Practices Act of corporation and union expenditures in connection with elections for Federal office, labor organizations have been able to use members' dues in a variety of ways in political campaigns.
- Employer organizations have called for a Federal "right-to-work" law which will ban all forms of compulsory union membership.

These, then, are some of the big labor issues that concern business. On the labor side, the unions want Congress to ease some of the Taft-Hartley curbs on their practices:

- Organized labor wants to repeal Section 14(b) of the Taft-Hartley Act, which permits the states to adopt "right-to-work" laws curbing compulsory membership arrangements that go beyond the Taft-Hartley restrictions.
- Another big goal of the unions is changing the rule that prohibits strikers who have been permanently replaced by other workers from voting in NLRB elections conducted during the strike.
- The building trades unions want a close approximation of the closed shop (now prohibited in Taft-Hartley) in their industry because, they say, the casual character of its employment makes the union shop unworkable.
- They want the boycott provisions revised to permit them to stop the transfer of struck work to other firms.
- Labor doesn't like the liberal way the NLRB has been construing Taft-Hartley's provisions on employer free speech. The present rule is that employers are free to express their opinions, refute union charges, and so on, during election campaigns, as long as their actions aren't calculated to coerce the employees' choice. The unions have asserted that their quarrel isn't with the terms of the law, only with the NLRB. But plenty of management men are convinced that labor would like to wipe out employer free speech in this area completely, if there were any way to get the legislation.

Proposals Before Congress

An abundance of concrete proposals are before Congress. Though there is little likelihood that more than one or two of them will become law this year, they deserve brief examination.

Most comprehensive, of course, are the recommendations in President Eisenhower's Labor Message of last January 23. The Administration program places heavy emphasis on combating labor corruption. A Commissioner of Labor Reports would be installed in the Department of Labor to oversee a broad reporting and public disclosure system, whereby unions would file detailed data on all their financial transactions and their internal procedures. Both employers and unions would report on financial dealings with each other, and any payments passing between them for improper purposes would be banned by civil and criminal law. The Labor Department would be empowered to investigate and seek to enjoin suspected violations of the reporting requirements. Unions not complying would endanger their tax-exempt status.

Unions would be required to keep proper financial records and elect their officers by secret ballot.

The Criminal Code would be

amended to make embezzlement of union funds a felony, and to make it a felony for union or employer representatives to make or take bribes to influence the conduct of the other party in labor-management matters.

New Bargaining Rules?

The collective bargaining rulebook would be amended in several important respects. On secondary boycotts, there is something for both unions and employers. The present prohibition would be tightened to ban union pressure applied directly against secondary employers, rather than just pressure applied through their employees, as is now the case. Union coercion through "hot cargo" contracts, in which employers agree not to handle the goods of other firms on the union's "unfair" list, would likewise be barred. But the law would be eased to let unions boycott companies taking over "farmed out" work from a plant on strike.

Organizational picketing would be outlawed if the employer already recognizes another union, if the picketing union has lost an election at the company within the past year, or, significantly, if "it is otherwise clear the employees do not desire the union as their bargaining representative."

The rule that bars strikers who have been replaced from voting in NLRB elections would be rescinded.

When the President's legislative program was first unveiled by Secretary of Labor James P. Mitchell at the AFL-CIO convention in December, a U. S. Chamber of Commerce

Well-known labor relations consultant Nathan W. Shefferman, a Dave Beck pal, whispers to his lawyer at McClellan hearing.

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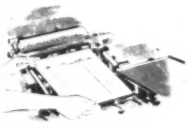
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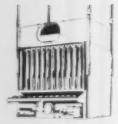

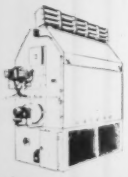

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publication called it "weak and prounion."

From the labor side, George Meany voiced serious objections to "the 'big brother' concept of government," which he found implicit in the Eisenhower proposals.

Neither side is happy—and this hardly spurs Congress to act.

The McClellan Committee has announced a tentative schedule of hearings for this year featuring, among other matters, inquiries into the UAW-Kohler Company dispute, the misuse of union funds in the Meat Cutters Union, the secondary boycott problem, and the general question of racketeer infiltration into the labor movement.

Meanwhile, there is no dearth of bills in the hopper. In the Senate, in addition to the bills Senator H. Alexander Smith (R., N. J.) has offered incorporating the President's recommendations, Senator Irving M. Ives (R., N. Y.), Senator William F. Knowland (R., Calif.), Senator Karl E. Mundt (R., S. D.), and others have introduced important measures. The dismal outlook for action on any of them was pointed up by Senator Ives, who is vice chairman of the McClellan Committee, in a statement late in January. "If the public gets steamed up, we might get something through," he said. "That is the only way we are going to get it."

Unfinished Business

Whatever positive proposals it may contain, the Committee's forthcoming interim report may operate to discourage action in 1958. It is bound to draw attention to the fact that the Committee still has a great deal to cover in its probe of the manifold "improper" labor practices that it seems to spy almost everywhere it looks. And the prevailing Congressional mood seems to be that nothing should be done until the Committee has had another year or so to complete its investigation and make comprehensive recommendations.

This approach could enhance the chances for really sound legislation in the long run—*if the public's indignation can be sustained that long.* There are already signs that some Congressmen feel the worst is over as far as the voters' demand for action goes, and that from here on public concern is likely to wane.

The Congressional disposition "to do something" about the labor problem, which seemed so evident last year in the heat of the early dramatic McClellan revelations, may be tempered by still another factor. The AFL-CIO has obviously regained prestige by booting out the racket-ridden Teamsters, its largest affiliate. Its stern disciplining of several other unions and its promulgation of the Ethical Practices Codes have also added weight to the argument, now heard on Capitol Hill, that George Meany and company are doing a good housecleaning job and Congress should not interfere too much or try to assume too much of the burden.

THE AUTHOR • Now director of industrial relations for the Commerce and Industry Association of New York, Inc., Horace E. Sheldon was formerly labor relations representative for the metropolitan New York milk industry. In this capacity, he participated in labor negotiations that involved more than 200 employers. Mr. Sheldon has also served as a field agent for the National Labor Relations Board. A graduate of the College of Engineering of New York University, he holds a master's degree from the New York State School of Industrial and Labor Relations at Cornell University.

Both unions and business organizations have been giving more attention to the state capitols in the last few years. There will be relatively little activity on this front in 1958, however. Only eighteen of the 48 state legislatures are due to convene this year, and of these only thirteen will be open for general lawmaking.

The biggest recent development at the state level, of course, has been the spread of the "right-to-work" laws. Eighteen states now have statutes that prohibit requiring union membership as a condition of employment. The unions are battling against the spread of these laws to other states and have fought for repeal where they have been put on the books. So strongly does organized labor feel about the issue that "right to work" is practically a cuss word in union circles.

Indiana, the one new state added to the "right-to-work" list last year, was the first major industrial state to pass the legislation.

Considerable interest in these laws is now reported in such important industrial states as Ohio, California, and Connecticut, and the question will be put directly to the voters in several others this year. Elsewhere, as in New York, there seems to be little current prospect for serious consideration of the issue.

The state legislatures, of course, will continue to be battlegrounds in the unceasing debate over unemployment insurance and workmen's compensation on the twofold issue of adequacy of benefit levels and eligibility rules and administration.

Looking Ahead

Despite distinct improvements in our labor laws and the courts' construction of them in recent years, management, by and large, tends to view the labor future with some misgivings. Taft-Hartley represented a solid step toward a more balanced and mature national labor policy when it was superimposed on the Wagner Act, and recent NLRB and court decisions have overturned important earlier rulings that business had found it hard to live with. These concerned such key questions as the "hot cargo" clause, minority union picketing, employers' right to lock out defensively against a union's "divide and conquer" tactics, and employer free speech.

Still, employers—and unions too—dislike having to depend too much on the vagaries of the courts and administrative agencies when important matters of labor relations practice are at stake. Management wants certain things clarified and made more equitable by new and unmistakable language in the law books.

The real reason why many thoughtful employers are uneasy about the future is that they find it is not always enough to persuade legislators on the merits of any proposal. Realistically, they wonder how many lawmakers will be responsive to rational argument on labor issues in the years ahead if union political influence grows greater still.

Many people feel organized labor's political power is now so great, despite its current embarrassment over corruption, that it can veto any legislation that seriously threatens its interests. When the McClellan Committee completes its investigation and all the proposals are in, we shall see whether they are right. END

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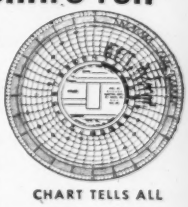

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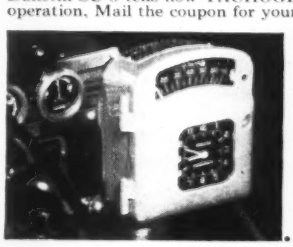

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First, it is an accepted fact that metal surfaces should be prepared before painting to make possible an efficient paint system. Naturally, this preparation should provide for good initial paint adhesion. Chemical treatments have proved extremely effective in this respect, particularly those of a neutral or preferably acid nature. Further, to be most efficient, chemical treatments should provide a non-porous barrier to maintain adhesion by sealing the metal from the paint and moisture. They should also provide a self-healing film which prevents lateral corrosion in the event that bare metal is exposed through scratching.

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On the other hand, if all surfaces of the product are to be painted and maximum corrosion protection is required, the heavier and most protective Iridite films should be used. For example, all surfaces of zinc die cast fruit juicers are finished with a highly protective Iridite film prior to painting to provide maximum resistance to the corrosive action of fruit juices.

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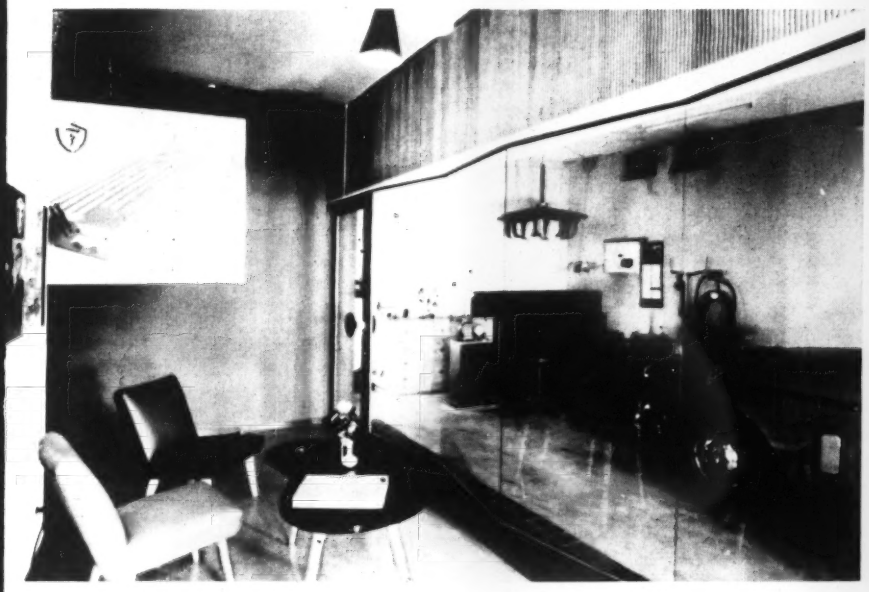


SELLING SERVICE IN STYLE

From a Firestone Tire dealer in Zurich, Switzerland, comes this idea for selling automotive service in cleanliness and comfort. Customers watch their cars being serviced from a glass-enclosed waiting room, away from noise, fumes, and grease. Dealer Kurt Stossel credits the new approach with a "tremendous boost in business."

WHAT'S NEW ON THE DESIGN FRONT

ALSO: New Trends in Trademarks; Drive-up Phone Booth

EVER SINCE THE invention of the wheel, men have been quick to adopt design improvements from any source. In the American economy, changes in the design of industrial goods often originate with consumer products. Streamlining and double headlights on the new light- and heavy-duty trucks are an interesting current example of this kind of cross-fertilization.

A manufacturer of commercial vacuum and floor cleaning equipment announced a few weeks ago that new models to be introduced this Spring would take his products out of the conventional machine class and put them into the appliance category. And for the past few years, office furniture has been moving in the direction of home furnishings in adopting softer lines and a wider range of colors.

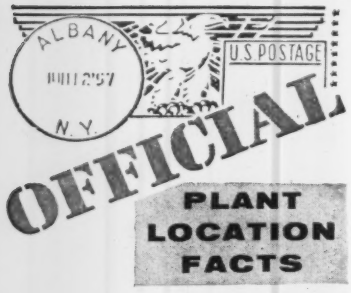
According to industrial designer F. Eugene Smith of Akron, the two dominant trends in design last year were the emergence of the crisp, sharp-cornered look and the continued spread of "American Baroque." Departing from the swollen, bulbous forms prevalent in appliance design, General Motors' Frigidaire Division introduced its "sheer look," and was followed by General Electric.

The design of consumer products is sometimes influenced in turn by architectural trends. Says Smith, who is the secretary of the American Society of Industrial Designers, "The new lighter, squarer look comes directly from such building silhouettes as the Seagram Building, now being completed in New York. Another influence is the trend by modern home-builders to build appliances into the wall or create integral rows of appliances under one counter-top. Square-cornered appliances, from which all curves have been eliminated, fit flush to the wall when built in. And they group together better than the earlier 'jelly-mold' types."

The squared-off look also made its appearance last year among small appliances and television sets, which were made lighter in weight and more colorful, shedding their utilitarian appearance. By making them more attractive to the eye, manufacturers are hoping to encourage their use throughout the home.

While this design trend was successfully launched, other products continued to move toward what the designers' group, with some distaste, terms "American Baroque."

Designer Smith says: "Baroque is described in the dictionary as 'irregularly shaped, fantastic in style, grotesque,' and that is why I think it's an appropriate term to use in the field of design in automobiles, boats, some furniture, and some packaging in 1957. We have reached a dangerous impasse in industrial design



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Commissioner of Commerce

when speed symbols dominate the design of a product and no longer serve any functional purpose."

Features which started as an inspiration towards a look of speed in automobiles have now taken on a life of their own in the new cars, says Smith. He cites as examples of this style tendency the high tailfins, escape jets masking exhaust pipes, and rocket-shaped scoops and gashes in the design of several cars and related speed symbols in power boats.

According to the designers' group there were noteworthy shifts in consumers' color preferences in household goods during 1957. Turquoise and flame, popular for many years, receded slightly, and were replaced by clearer tones of blue and red, particularly cornflower blue and bright vermilion. Beige and sand tones continued to bring results to appliances manufacturers. But chartreuse went the way of the dodo, to be replaced by a pale lemon yellow.

Trends in trademarks

Facing increased competition, companies are displaying continued high interest in launching new products. Last year applications for new trademarks amounted to 21,390, according to the U.S. Patent Office.

New trademarks were probably analyzed more thoroughly in 1957 than ever before. Increasingly, managements are hunting down any hidden flaws in new marks before launching them, according to the United States Trademark Association. In a number of cases, manufacturers took advantage of well-known trademarks by attaching them to new products—often, products entirely different from the original item bearing the mark. An important side benefit of such a move is that it may strengthen a mark which consumers are beginning to identify too commonly with a particular type of product rather than a particular brand. For when the public thinks of a certain trademark as the generic name for all goods in its class, the mark will be considerably weakened and sometimes actually lost. Such common terms today as shredded wheat, corn flakes, aspirin, linoleum, zipper, and cellophane were once valued trademarks.

During 1957 companies increased their efforts to protect their trademarks at the retail level. Coca-Cola Company and Bristol-Myers Company (which manufactures Bufferin) both went into court to complain about some retailers' practice of offering similar products when customers called for Coke and Bufferin by name. Injunctions were granted against the retailer in each case.

In a decision of real significance to all companies with trademarks, the Patent Office ruled that an originator of a trademark can lose his rights in it by failing to comply with state laws. Even though a competitor began using a similar trademark some time after the originator, the competitor was given the right to register the mark (which identified an insecticide) because the originator ignored a state marketing law. —T.K.

WAITING ON WHEELS

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THE PRESIDENT'S PAY CHECK—AND WHERE IT GOES

continued from page 42

the presidents think is about the right pay for their chief subordinates comes pretty close to the actual ranges reported in such studies as AMA's annual compensation survey. Panelists say that the executive vice president should be paid about 28 per cent less than the president is paid (as against AMA's 30 per cent less). Panelists place a slightly higher rate on the top production executive's pay—52 per cent, as against AMA's one-half. A slightly lower percentage is allotted to the top marketing executive—56 per cent as compared to AMA's reported 60 per cent. Presidents and the AMA report agree that the top financial executive is worth about 55 per cent of a president's pay. But there is some disagreement on what the top industrial relations executive is worth. AMA's average gives him 27 per cent; the panelists, 38 per cent.

Just what the president thinks the subordinate executive *should* be paid, especially in the marketing and industrial relations functions, is influenced to a considerable extent by the nature of the business. High marketing pay will be more important to the consumer goods industries, for example.

The Fringes They Get

The one fringe benefit that nearly every Panel president—93 per cent of them—gets is a pension. But this is not the fringe they regard as the most important. In the Panel's view, the most valuable fringe is stock options. These are part of the compensation package in somewhat under seven out of ten cases. About 75 per cent of the panelists are provided with medical insurance, and about 87 per cent have company-bought life insurance. Many men volunteer the information that they contribute to these plans. Bonuses go to somewhat more than six men in ten, but fewer than three in ten get profit sharing. And only a scant fraction of the presidents—less than 3 per cent—get stock bonuses. (For details, see chart on page 110.)

Other forms of benefit are mentioned by a number of panelists. These include savings plans, disaster insurance, payment for serving on boards of directors, and what is now often referred to as a "phantom stock" plan. Under the latter plan, the company credits stock shares to the executive's account, and at agreed dates he qualifies for the equivalent of dividends while his company retains ownership of the stock. Of course, many men (few actually mentioned it) probably enjoy company cars, club memberships, and other perquisites of office that company management usually prefers not to publicize.

But the fringes preferred by the Panel members are not always the fringes they get. While many men like the "package," the most popular single benefit is stock options, which "provide the incentive of proprietorship." Of course, the tax considerations add attractiveness to the stock option too. As one president puts it, "Can build estate at capital gains rates."

Most Popular Fringe

Also highly favored, pensions were liked best by more than a fourth of the Panel, but they definitely run second in popularity to stock options. Thus the two most desired elements of the fringe package balance each other. The stock option may offer the executive the chance to make a great deal of money. A pension offers the security of retirement protection. Again, the reasons for preference were strongly tax-motivated. Like many of his colleagues, one president prefers pensions because they "offer security which I cannot buy under existing tax laws." But age also plays a major part in the incentive value of pensions. The average age of the Panel is 55.

Bonuses and profit sharing were equally preferred by about one in six men. In a significant number of cases, the attractiveness of these fringes is increased because payment can be, and often is, deferred. One panelist typically calls profit sharing the "fairest and most incentive." But some men prefer bonuses because they are the "most substantial" fringe or because the "reward is tangible and relatively instantaneous." The possible deferment of a bonus attracts other panelists.

It seems safe to assume that how much directly taxable income the president has a year pretty much determines which form of supplemental

compensation he prefers, and how he wants it paid. As one president points out, "The problem for most executives today is how to accumulate an estate, how to provide for retirement or for the family in event of early death—not immediate compensation."

For this reason, insurance is the most attractive form of compensation to a few—about 6 per cent—of the presidents. Their reasons: "It is hard to get and expensive" and "It takes the best care of my family."

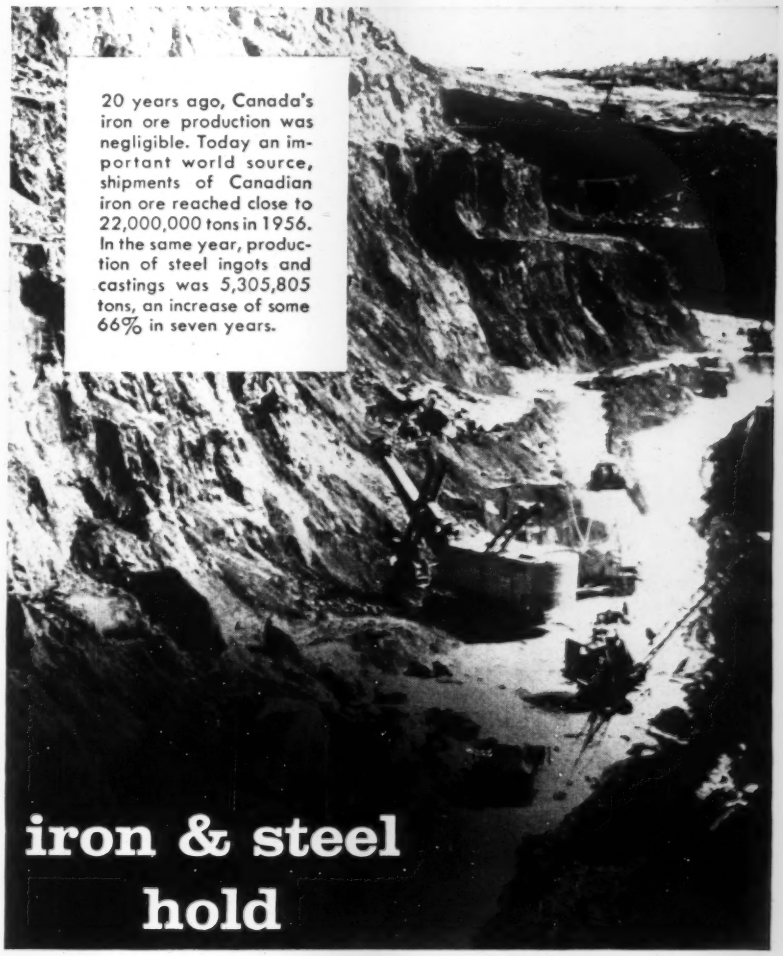
What's Left of What He Makes

For the average Panel member, from 16 to 20 per cent of his total direct compensation is left after taxes and current expenses. This means that out of $111,500, the typical president has from $18,000 to $22,000 for savings, investment, or whatever else he prefers. Of course, the picture varies considerably when individual men are considered. For example, one man who reports compensation in the highest Panel bracket—over $200,000—says he has nothing left after taxes. In contrast, a man who makes under $75,000 a year says he has half his income left after taxes and living expenses. But most of the men, regardless of income bracket, have from one-tenth to nearly one-fourth of their income left after current expenses and taxes. A quarter of the Panel has from 10 to 14 per cent; another quarter, from 15 to 19 per cent. Nearly two men out of ten have from 20 to 24 per cent left, and about one in ten, from 3 to 9 per cent.

One thing is common to all panelists, regardless of their pay or tax bracket: all own stock, and all own some stock in their own companies. In fact, well over a fourth of the Panel have portfolios that include from 81 to 100 per cent of stock in their own companies, and nearly a third say that from 50 to 80 per cent of their stock holdings are in their own companies. A few men, however, have as little as 5 per cent of company stock in their portfolios.

What Financial Problems?

To the question, "What personal financial problem causes you the most worry?" nearly a third of the Panel failed to reply—perhaps because they have no such problems, or perhaps because they agree with one panelist who says, "I don't worry because it does no good." But more than half of the panel—52 per cent—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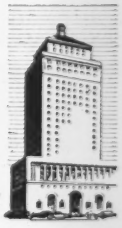
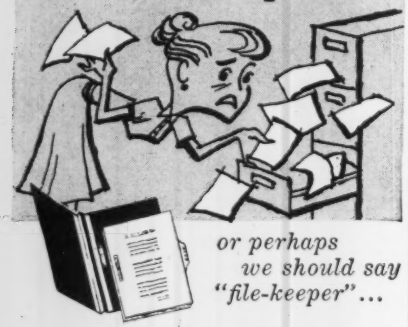


are you a good housekeeper?



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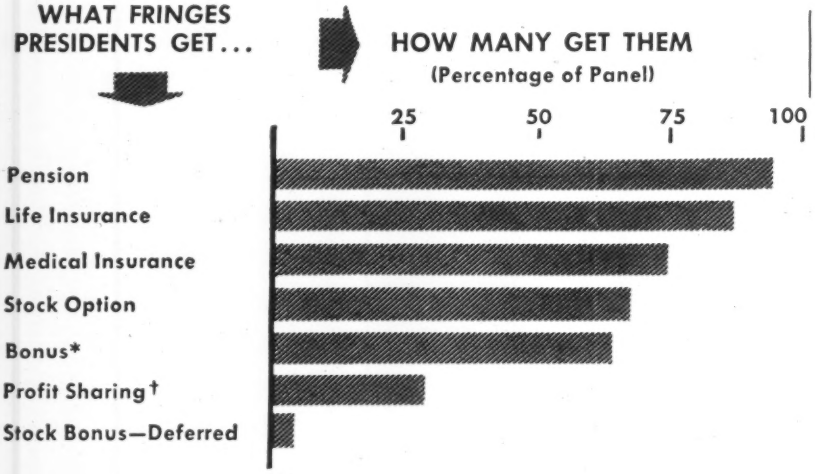

*Of this group, 67 per cent receive nondeferred bonuses; 23 per cent, deferred bonuses; and 10 per cent, both.
†Of this group, 32 per cent receive nondeferred profit sharing; 55 per cent, deferred profit sharing; and 13 per cent, both.

do worry about two major financial problems, which are not confined to executives. One out of ten men replying worries seriously about inflation and especially about its "effect on the retirement program." Four out of ten men worry about the effects of taxes. Typically, the Panel believes that what the Government doesn't take now, it will take later. And they are haunted by the persistent tax stress—or "tax erosion," as one man calls it—that prevents a man from accumulating an estate and leaving it intact to his heirs.

Time and again, presidents on the Panel say their biggest financial worry is "accumulating an estate in the face of high taxes and inflation." One president describes his chief financial anxiety as, "Believe it or not—saving, the accumulation of an inflation-proof estate." Another man says: "Probably the long-range problem of attempting adequately to provide for one's children the same sort of financial security as was possible with this and previous generations is, of course, worrisome. I suppose that I should have to say the chief problem in this area stems right back to the unreasonable rates of tax on income charged against individuals."

Income-Outgo Worries

In addition to the long-range accumulation of an estate, panelists worry about what one man calls, "inability to accumulate. I have too little to show for the strain I undergo."

Somewhat less than one-fifth of the Panel mentions other financial worries. One president mentions his "inability to wipe out debts faster," while another is disturbed by the "large debt necessary for exercising stock options."

A smaller, but significant, number of the men worry about what would happen to their families in the event of possible disability. Others worry about raising the money to educate their children. One president describes his chief worry and that of many others as, "Education of children, maintenance of capital assets, and cost of supporting oneself and family in level of society required by background and position."

Among the men who run family-connected companies, what they can leave to the family (in the larger companies) and how to expand (in the smaller companies) become serious financial problems. As a president of a small company says, "I have all my eggs in one basket, and insufficient income for business needs."

But chiefly, the Panel worries because it is able to accumulate so few dollars, and because those dollars are continually declining in value.

How Much in Taxes?

That most of the Panel's financial worries are tax-related, aside from the anxiety about inflation, is self-evident. But what would the panelists consider fair income tax rates, on corporations and on individuals?

More than half the Panel—53 per cent—would like to see a maximum

individual tax rate of 50 per cent, although about one in seven men would prefer a top personal tax rate of 25 per cent, bringing it in line with the capital gains rate. There is far more range in the individual income maximum rates the presidents propose than in the corporate rates. About one in ten panelists would be willing to pay taxes on his own income at a rate anywhere from 65 to 80 per cent—still an improvement over the current top rate of 91 per cent. Only one man goes so far as to say there should be no income taxes at all, either on individuals or on corporations. His reasoning for no taxes goes like this:

> Present personal and corporate income taxes stifle individual initiative and limit expansion. "Deducts" from pay checks and taxes hidden in costs of goods and services tend to hide the high cost of government. Revenues now derived from such sources should be raised by a general sales tax paid as separate items on each transaction by ultimate consumer. Public would then force Congress to eliminate unnecessary expenses and nongovernmental functions.

A large number of Panel presidents strongly favor the Sadlak bill, currently pending in Congress, and the tax rates it proposes. H. R. 6452, introduced a year ago this month by Antoni N. Sadlak (R., Conn.), a member of the House Ways and Means Committee, proposes a top tax rate of 42 per cent on both individual income and corporate profits.

Nearly four out of five panelists would settle for a corporation rate of from 35 to 50 per cent, as against the current corporation rate of 52 per cent. But to a man, the Panel feels that 50 per cent should be the absolute tops on what any corporation pays the Government from its profits, and about one man in seven favors a 25 per cent rate.

Personal Tax Problem

"What single feature of the existing tax law, as it applies to individuals and to corporations," the panelists were asked, "would you like to see changed—and why?" The most common answer: the high and progressive tax rates imposed on personal income.

In their complaints about this situation, the presidents frequently use such words as "confiscatory" and "unjust." One man states the views of many in his objection to the public tax "philosophy of 'soak the rich' as applied to *earned income*, because it

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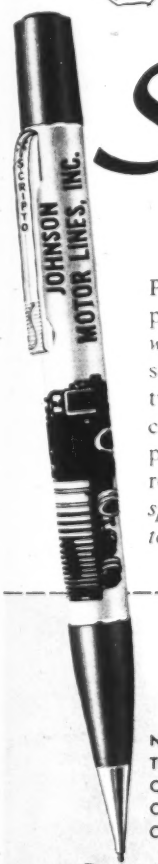

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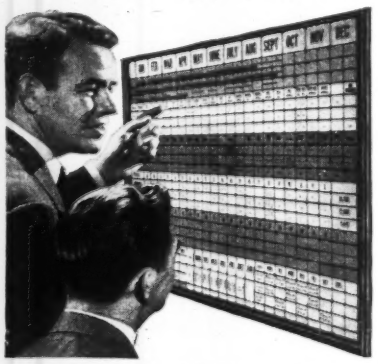

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soaks those who are not rich and destroys the will to work to higher levels." Many men point out that their relatively high salaries become meaningless in terms of actual money and incentive after the tax slice. A good many men would like to have full deductions for the cost of putting their children through college, and several men feel that complete deductions for medical expense should be allowed.

Another common complaint is made against "the requirement to pay personal income tax on dividends, which is really double taxation."

Corporation taxes come in for some of the same objections that personal income taxes do, as well as for a few additional ones. Again, the mention of "double taxation" on dividends crops up frequently. But most often mentioned is the desire for "realistic depreciation and proper allowances for increased costs of replacement." A number of men think that the present 52 per cent rate "eliminates storing up for poor years." A lot of panelists maintain, too, that business is too tax-motivated. One puts it this way: "High tax rates lead to all business decisions being based on the tax advantage, whereas they ought to be based on sound fundamentals. Also, the high tax rates result in some cases in making expenditures which are not altogether sound, but which are justified on the basis that Uncle Sam is paying for most of it." Others say, "Too much effort is expended by business trying to avoid taxes" and "The high corporate rate distorts business decisions and normal growth."

Corporation Tax Problems

Complicated tax forms for both corporate and personal income taxes, also provoke a good deal of grousing. And some men would like to see the revenue laws revised "to recognize the significant difference between foreign and domestic income so that American business will be in a competitive position with foreign businesses, which are taxed at rates lower than the U. S. income rates."

But judging from the Panel's answers, two changes would result in immediate management satisfaction: realistic depreciation allowances and single taxation of dividends or "making dividends deductible to corporation to put debt and equity financing on the same basis."

For the very reason that they themselves are no longer young—nearly a third of the men on the Panel are in their sixties—the presidents are concerned about the kinds of compensation that will most effectively motivate the younger executives who will succeed them in managing their corporations. Their views are expressed in answer to the question, "What compensation philosophy do you feel is most effective in holding young executives and maintaining their drive and initiative?"

All the Panel companies provide their executives with a variety of fringe benefits. And the extensive literature and comparative studies on complex compensation plans indicate that these fringes spur the executive on to do a better job. They can also tie him to the company so firmly that it eventually becomes unprofitable for him to leave. But the majority of Panel presidents consider money the prime motivating force. A solid majority—58 per cent—actually say that salary is the most important of all compensation incentives. A large number also mention high and directly paid bonuses, related to performance. A number of Panel presidents believe that the young executive should be rewarded above his present worth to upgrade his job performance. In describing the right salary for the younger members of the management team, presidents often use the words "liberal," "competitive," "adequate," "satisfactory." More than one president uses the plain phrase, "Pay well."

The Persuasive Dollar

Many panelists are in hearty agreement with a colleague who says: "I believe that base salary is the single most important item. A man who feels that he is really well paid and will be in the future is usually content. I doubt that as much value attaches to the 'gimmicks' as is often felt." Many presidents, however, think that the whole package of fringes, after salary, is also important. As one man says, "The emphasis should be on current income so that young executives can do what they want to do for their growing families, with a kicker, such as stock options, as bait for the long term."

There is a strong belief among panelists that pay should be closely tailored to the man, with new fittings as he grows in his job. One president

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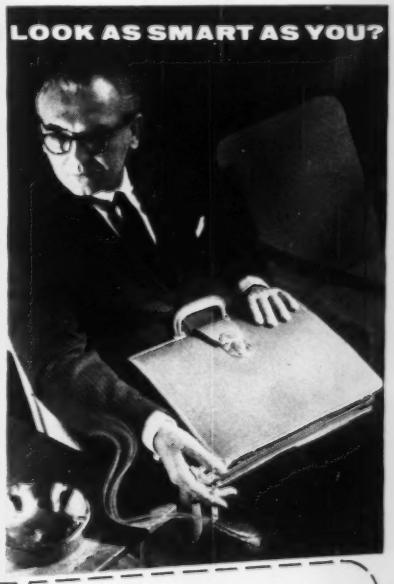

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says: "I would say that the most effective compensation philosophy in holding promising young executives is the practice of frequent review and action on salaries to reflect the differences in potential and performance of young executives. Differences in men exist—they must therefore be discovered and their varying worths rewarded." "Cash [salary] rewards are more appreciated than deferred methods of compensation," says another man. And from the presidents who believe in extra high pay comes this representative statement: "Immediate and adequate recognition of their future value should be given to young executives in advance, keeping ahead of their productive worth, and showing them that their potentials are recognized."

Along these lines, of course, many presidents feel that the most effective motivation is a "liberal incentive bonus based on performance, not length of service. For good performance, at least 20 per cent of base salary."

Balanced Package

A good many panelists value the over-all compensation package as the best incentive, since it combines reward for accomplishment with retirement security and insurance protection. The balancing of security and risk is the base of the compensation philosophy of one president, who recommends "adequate salary ranges in proper relationship to varying degrees of profit responsibility, coupled with sound insurance and pension programs, with the added spur of stock options."

A few presidents feel that compensation is not so important a motivating influence on young executives "as the feeling that they are promoted in accordance with increasing experience." Or in the words of another man with similar views, "Compensation is of secondary importance to the atmosphere, the climate of the company."

But if one thing emerges more clearly than any other from the Panel's thinking on this subject, it is that money itself is the prime reward for which men will work harder, more loyally, and better. And this belief seems to be unswayed by the ways in which taxes and inflation have slimmed the value of the dollar or by the increasing emphasis on fringe benefits. END

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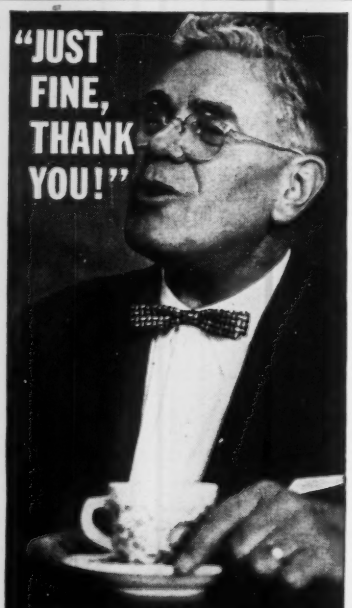

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THE X FACTOR IN SALESMANSHIP

SEVERAL YEARS AGO a champion life insurance salesman canvassed an office building and made a sale on every call except one. The exception was the office of the Fuller Brush Company. There, instead of getting a signed application, he came out loaded with brushes. The story may be apocryphal, but it is an interesting comment on the competitive tensions and emotional vagaries that influence the technique of selling.

Much has been written about the low-pressure logical approach of the sales engineer and the high-pressure frontal attack of the sales psychologist. Certainly, the product and the market have a lot of influence on the tactics to be employed. But what is actually the dominant influence in a successful salesman? Is it vibrant personality, lively imagination, dominant ego, product knowledge, discursive logic? Or is it simply the instinct to serve the customer and the stamina to pursue a consistent sales plan? Textbooks on modern selling catalog and appraise all these qualities, but the successful salesman seldom fits the preconceived pattern. The only attribute he never lacks is propinquity, the art of being on the spot when the customer is ready to write his name on the order.

In any competitive game, the qualifications for success are hard to identify. Bob Fitzsimmons was almost a physical freak. While he had the upper torso of a giant, his thighs and legs tapered to the anatomy of a schoolboy. Yet his prodigious fists had the punching power of a triphammer. Bob's son was a perfect specimen of manhood, a veritable Apollo in his proportions, but despite his physical assets and expert parental training he was a failure at professional fisticuffs.

A man with all the obvious virtues of the successful salesman can and often does fail under competitive tension. He lacks the indefinable, often inexplicable quality that is found in the man of less obvious virtues who produces more tangible results on the scoreboard.

Of the 109 presidents participating in DR&MI's Presidents' Panel, more than 50 per cent have had sales experience as a planned or accidental part of their management training. There is some evidence here that the competitive tension of getting the order and delivering the goods influenced their subsequent ability to sell a board of directors or an executive staff on a management program.

Some progress has been made in dealing with the psychological aspects of the sales approach and in understanding what motivates customers toward or away from the product or service. It is still important to know that the consuming public buys what it wants and not what it needs, and even the industrial buyer is often influenced as much by whim as by logic. Salesmen are people, dealing with people, and emotions that evoke enthusiasms, prejudices, and loyalties are often determining factors in a sale. It is a happy situation when the qualities of the sales engineer and the sales psychologist are combined in the individual salesman. Legwork and headwork are equally necessary and in equal proportions.

However, with all our progress in systematizing sales techniques and masterminding sales direction, the aptitude testing of candidates for sales training remains a tantalizing problem in selection. The challenge to management is a critical one, because the success of the individual enterprise as well as the maintenance of our high level of productivity depends upon the man who utters the magic word or radiates the charm that compels the signature on the order. Perhaps we haven't learned the primary secret of his success, but we suspect that it is related to his willingness to serve the needs of a customer or community.

There is no inventory problem that a few good salesmen on the road can't solve, and there is no substitute for the X factor of the successful salesman, even though we can't write the precise formula by which he gets the order. This we do know—the whole planning, production, and packaging effort succeeds or fails at the point of sale.

The Editors

A HOME-TOWN BUSINESS

THE BELL SYSTEM is nationwide yet the telephone business is largely a local business.

Research, manufacturing and a certain amount of over-all direction are handled centrally because experience has proved it is the better way.

But the job of serving people locally is handled by the operating companies throughout the country, organized to fit the needs of the particular sections they serve. Your Bell Telephone Company is one of these.

It is distinctly a home-town business because of the personal nature of telephone service.

Ninety-five out of every one hundred calls are local. They're made-to-order right on the spot. On all matters of service you have the very great advantage of dealing directly with the company and its people.

Your telephone company is managed locally and it pays taxes locally.

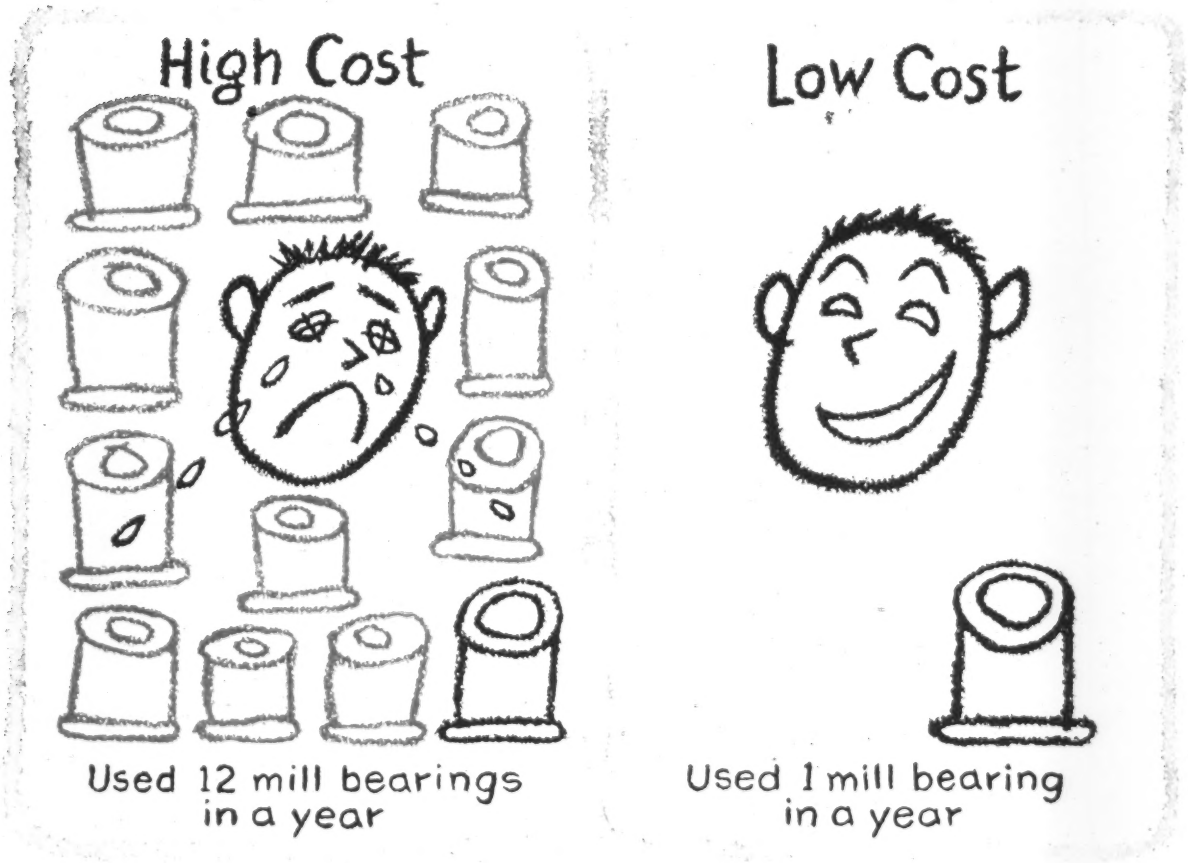
TELEPHONE INSTALLER visits a home-town family to install color telephones. He and his truck are familiar sights around town. Courtesy rides with him wherever he goes.

You probably know men and women in your town who work for it and have seen and heard of their active part in the welfare of the community. Local people have an investment in the business through their ownership of A. T. & T. stock.

Wherever there are new telephone buildings going up, or jobs of maintenance, there are jobs for local builders, architects, painters, carpenters, plumbers, electricians and many others.

So the Bell Telephone Company isn't something far away but close to you wherever you live and a friendly, helpful part of the community. That is the way you'd like it to be and we try very hard to run it that way.

BELL TELEPHONE SYSTEM



Before modern lubrication practice took over: $2,400 worth of these bearings were replaced to keep a 35" mill rolling for twelve months.

After assignment of a qualified lubrication engineer: one bearing ($200) served for a year, saving $2,200 a year, plus other savings.

Lubrication plan extends parts life—in this case, 12 times

We've just talked to a manufacturer who, in the past three years, has at least doubled the life of lubricated parts; and, in one case, increased the life of a large, expensive bearing *twelve times!* The same manufacturer succeeded in getting 312,000 tons of production on another bearing where 30,000 to 40,000 tons was the accepted average.

This may be a clue to industry management in general that taking lubrication practice for granted can cost enormous amounts of money in parts, lost production time and maintenance.

Developing opportunities for using modern lubrication plans like this, to turn regular losses into definite income, becomes a management function. And the management teams of quite a few major manufacturers are digging into their lubrication practices with the sole aim of making moving parts in operating machinery last longer.

Large companies find that the services of a plant lubrication engineer pay off. He can extend parts life, eliminate downtime, reduce the number of rejects (even save on lubricant cost) and otherwise add to income. Both here and in cases where operating budgets preclude a staff member, Texaco's organization of Lubrication Engineers functioning in all 48 States, can offer specific assistance. A more detailed discussion is available in an enlightening booklet: "Management Practices That Control Costs Via Organized Lubrication." Write The Texas Company, Dept. D20, 135 East 42nd Street, New York 17, New York.

TUNE IN...Metropolitan Opera Radio Broadcasts Every Saturday Afternoon

LUBRICATION IS A MAJOR FACTOR IN COST CONTROL

(PARTS, INVENTORY, PRODUCTION, DOWNTIME, MAINTENANCE)